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Daily Report

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FBIS-EAS-96-130
Friday
5 July 1996

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Daily Report

East Asia

FBIS-EAS-96-130

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Japan

Japan: Chips, Insurance on Agenda at Business Council Meeting

OW0407145496 Tokyo *NIHON KEIZAI SHIMBUN*
in Japanese 4 Jul 96 Morning Edition p 5

[FBIS Translated Text] The Japan-U.S. Business Council (with Yotaro Kobayashi as chairman) and the U.S.-Japan Business Council (with Donald Fites as chairman) will hold a three-day "Japan-U.S. Businessmen's Meeting" from 8 to 10 July at a hotel in Tokyo. Approximately 100 Japanese and U.S. business leaders will participate in the meeting to exchange views on the issue of improving market access and industrial cooperation in Asian markets. In regard to individual trade sectors, the semiconductor and insurance services issues are expected to be the points of contention.

The common agenda of the meeting consists of three topics: "Asian Markets," "Competition Policy and Business Practices," and "Market Access and Industrial Cooperation." Also expected to be on the agenda are risk management in the PRC, which is moving toward removing preferential measures currently extended to foreign-affiliated firms, and inspection of the deregulation promotion project which the Japanese Government revised in late March.

In regard to individual trade sectors, discussions are expected to be held on the propriety of government intervention, which is a point of contention in the Japan-U.S. semiconductor agreement issue, and the issue of new entries [by Japanese insurance companies] into those areas in insurance services where foreign insurance firms are strong. On the final day of the businessmen's meeting, chairmen Kobayashi and Fites are to issue a joint statement.

Japan: EU Agrees To Let Tokyo, Washington Settle Chip Issue First

OW0407005496 Tokyo *NIHON KEIZAI SHIMBUN*
in Japanese 3 Jul 96 Morning Edition p 5

[FBIS Translated Text] The Ministry of International Trade and Industry (MITI) has disclosed that the EU has agreed to let Japan and the United States settle their dispute over the semiconductor agreement first. So far, Japan has insisted that the issue be settled collectively via trilateral talks, but it will now have to withdraw this bid. Hoping to reach an accord by the end of July when the existing semiconductor agreement expires, Japan has thus conceded to U.S. demands.

The Japanese and U.S. Governments plan to hold bilateral ministerial talks during a meeting of Asia-Pacific Economic Cooperation (APEC) forum trade ministers on 15 and 16 July in New Zealand. Prior to

that, the two governments are making arrangements to hold subcabinet-level talks in Tokyo around the middle of next week and in New Zealand over that weekend.

In an attempt to place the United States in check, Japan had planned to replace the existing chip accord by creating a multilateral framework which was to include the EU. However, Japan has given due consideration to U.S. rejection of the EU's participation based on U.S. claims that "the EU cannot be on equal terms with the United States and Japan because it levies tariffs on semiconductors." After Prime Minister Ryutaro Hashimoto announced at the recent Japan-U.S. summit that "priority will be placed on Japan-U.S. affairs," a senior MITI official convinced the EU, saying: "We will continue to exchange information and create a framework which incorporates the EU's interests and which the EU can join immediately after it announces its intention to abolish tariffs on semiconductors."

Meanwhile, regarding the issue of "government intervention," on which the United States persists, MITI Minister Shunpei Tsukahara said on 2 July: "There is absolutely no change in the stance we have been taking so far." MITI is hoping that the United States will come up with a compromise proposal at the governmental talks next week.

Tokyo, Washington Reconfirm Hashimoto-Clinton Chip Accord

OW0507140596 Tokyo *KYODO* in English
1148 GMT 5 Jul 96

[FBIS Transcribed Text] Tokyo, July 5 KYODO — Japan and the United States reconfirmed Friday that they will strive to settle their semiconductor trade dispute by the end of July when the existing bilateral agreement expires, Trade Ministry officials said.

The reconfirmation was made when International Trade and Industry Minister Shumpei Tsukahara invited Walter Mondale, U.S. Ambassador to Japan, to his office for talks on the issue, the officials said.

On the occasion of the Group of Seven (G-7) economic powers' summit in Lyons, France, last week, Prime Minister Ryutaro Hashimoto and U.S. President Bill Clinton agreed that the two countries should resolve the trade dispute before the expiry of the accord.

However, Tsukahara and Mondale repeated their countries' positions on government roles in the trade issue, the officials said, quoting the Japanese minister as saying that international society would not accept ideas that would lead to managed trade and violate international trade rules.

The officials also quoted Mondale as saying that government involvement is necessary to open the Japanese chip market wider to imports.

The Japanese and U.S. Governments will resume working-level negotiations over the chip trade issue in Tokyo next Tuesday and will also hold talks when trade ministers of the Asia-Pacific Economic Cooperation Forum get together in New Zealand, starting July 15.

Japan: German Film Maker Considers Photographic Film Market Closed

OW0407143196 Tokyo NIHON KEIZAI SHIMBUN in Japanese 4 Jul 96 Morning Edition p 11

[FBIS Translated Text] In regard to the issue in which the U.S. Government filed a complaint with the World Trade Organization (WTO) over Japan's photographic film market, the largest EU film maker's affiliate in Japan disclosed that it plans to convey its view to, among other parties concerned, the German Government and the EU that "Japan's photographic film distribution system is closed." Since the company is affiliated with a country that is not involved in the trade dispute, its policy is likely to affect, among other things, future Japan-U.S. talks at the WTO.

Walter Stork, president of Agfa-Gevaert Japan Ltd. (based in Meguro, Tokyo), made the disclosure on 3 July. The company launched a project in 1990 to re-enter Japan's consumer color film market. Although it has managed to establish distribution routes to supply film under a private-brand label to, among other clients, Dai-ichi Inc. [Japan's largest supermarket chain], the company asserts that it has been "unable to make inroads into the market targeting ordinary camera stores." The company says it asked major wholesalers distributing products to ordinary camera stores to carry its products but was rejected.

Regarding the Premiums and Misrepresentation Law and other regulations of which the U.S. Government is making an issue, Stork said: "Companies should be allowed to engage in sales promotion activities more freely."

Japan: Hashimoto's Letter on U.S. Bases Arrives in Okinawa

OW0407050896 Tokyo KYODO in English 0256 GMT 4 Jul 96

[FBIS Transcribed Text] Naha, Japan, July 4 KYODO — A letter to Okinawa Gov. Masahide Ota from Prime Minister Ryutaro Hashimoto reached the Okinawa prefectural government office Thursday, ordering Ota to cooperate with the central government's policy to con-

tinue the forced lease of land to the U.S. forces, officials said.

The letter, mailed Wednesday in Tokyo, orders Ota to take the required steps by July 11 to renew a lease for a small plot of land within a U.S. military facility in the southwestern island prefecture.

But the governor, who refused the premier's initial request and an ensuing "recommendation" on the issue, will most likely refuse the order, forcing Hashimoto to take the case to court.

The central government would then be expected to file a lawsuit against Ota with the Naha branch of the Fukuoka high court in the middle of this month, seeking a court order for the governor to execute his duties.

Japan: Okinawa Denies Accepting Kadena as Heliport Relocation Site

OW0507082896 Naha OKINAWA TIMES in Japanese 5 Jul 96 Morning Edition p 2

[FBIS Translated Text] The Okinawan government is taking active steps to deny reports by some national newspapers on 4 July that top officials of Okinawa have sounded out the national government on incorporating the substitute heliport for Futenma into the Kadena Air Base. The construction of a substitute heliport has been set as a condition for the full return of Marine Corps Air Station [MCAS] Futenma.

Furthermore, there are also reports that the Okinawan government told senior officials of the Social Democratic Party [SDP] that the solution to the issue of forcible land use for U.S. military bases would be "compliance with the Supreme Court's verdict." Senior officials of Okinawa are evidently upset by such "groundless" reporting recently on top officials of the prefecture.

The 4 July morning edition of YOMIURI SHIMBUN reported that Vice Governor Masanori Yoshimoto conveyed to the Prime Minister's Office, through the SDP, that Okinawa would agree to building the heliport on Kadena.

This report was taken up during the general interpellation period at the Prefectural Assembly on 4 July. Yoshimoto said: "That is not true. I called up the director of the SDP General Affairs Bureau this morning to lodge a protest." He absolutely denied that Okinawa would tolerate the construction of the heliport on the Kadena base.

The alleged source of such reporting is that the substance of Yoshimoto's discussions with SDP Chairman Tomiichi Murayama and Secretary General Kanju Sato in Tokyo on 26 June was leaked.

Immediately after the meeting it was reported that Yoshimoto conveyed the Okinawan government's decision that: 1) Okinawa's referendum [on the U.S. bases issue] will be held on 1 September; 2) the Okinawan government will comply with the Supreme Court's verdict on forcible land use; and 3) Futenma will be relocated to Kadena.

With regard to this meeting, Yoshimoto explained: "I only talked about the prefecture's views on the international urban community scheme, and self-reliant development of industry and the economy. We are really bothered by such reports in the past few days."

However, there is indeed an opinion within the prefectural government that "(the incorporation of the Futenma base into Kadena) is within the limits of what is acceptable as long as new bases will not be built, and all bases, including Kadena, will be withdrawn by 2015."

Okinawa regards the return of Futenma as the centerpiece of its program to create an international urban community, and would like to see this materialize by all means. To eliminate the impression of "constructing new bases," it has certainly conveyed to the national government and the ruling parties its desire to search for a solution by incorporating the heliport into existing bases.

In the prefectural government's negotiations with the ruling parties, it emphasizes not only demands for the consolidation and reduction of U.S. bases, but also measures for economic self-reliance and development. Both the Liberal Democratic Party and the SDP have already created project teams to accommodate Okinawa's wishes, and Okinawa and the national government and the ruling parties have begun to align their thinking recently.

Although Okinawa is denying it at this point, it is believed that the prefectural government and the ruling parties are in the process of arriving at certain compromises on the choice of a relocation site to facilitate Futenma's return, and on finding a meeting point on the issue of forcible land use.

Japan: Murayama Comments on Security-Related Functions Issue

OW0407005396 Tokyo ASAHI SHIMBUN
in Japanese 3 Jul 96 Morning Edition p 2

[FBIS Translated Text] On 2 July, Tomiichi Murayama, chairman of the Social Democratic Party, met with Prime Minister Ryutaro Hashimoto and other officials and commented on the issue of the central government's reported plan to completely transfer security-related functions assigned to local governments to the central

government. Murayama expressed concern, saying: "It is not a desirable political decision to have these functions turned over to the state at a time like this."

Japan: Hashimoto Says Security-Related Functions Belong to State

OW0407005296 Tokyo ASAHI SHIMBUN
in Japanese 3 Jul 96 Morning Edition p 2

[FBIS Translated Text] On 2 July, Prime Minister Ryutaro Hashimoto commented on remarks by Tomiichi Murayama, chairman of the Social Democratic Party, who conveyed his view that it is undesirable to transfer security-related functions assigned to local governments over to the central government. In response to a reporter's question at the Prime Minister's Official Residence, Hashimoto said: "Are security-related affairs a part of local governments' duties? That should sum it all up." In this way, he stressed that fundamentally the state should be in charge of procedures regarding such matters as the compulsory use of land by U.S. forces.

Japan: Government Considers Options for U.S. Heliport in Okinawa

OW0407132196 Tokyo KYODO in English
1248 GMT 4 Jul 96

[FBIS Transcribed Text] Tokyo, July 4 KYODO — The central government is considering three places in Okinawa prefecture as options for relocating a U.S. military heliport after the Kadena Ammunition Storage Area was dropped from the list, a high-ranking government official said Thursday.

The official suggested that Japan and the United States would move the heliport from the U.S. Marine Corps' Futenma air station to one of the three options.

The three options are Kadena Air Base, north of Futenma, and two other U.S. bases in Okinawa, Japan's southwestern island prefecture.

But the government has yet to get approval from the Okinawa prefectural government on the choice, the official said.

Delaying a solution to the choice of a new heliport could put a damper on the agreed return to Japan of the Futenma air station as the Okinawa prefectural government is resisting any relocation of the heliport within Okinawa.

The Kadena storage area is under the control of Kadena Air Base in the town of Kadena, southern Okinawa, but is actually located in Yomitan, a village some distance away.

Japan: Sakigake Negative on Speeding Up U.S. Base Land Procedures

OW0407024096 Tokyo ASAHI SHIMBUN in Japanese 3 Jul 96 Morning Edition p 7

[FBIS Translated Text] The general affairs committee of New Party Sakigake held a meeting on 2 July to discuss the ongoing plans to come up with new legislative measures to speed up land expropriation procedures for use as U.S. military facilities in Okinawa. The meeting affirmed that, "Special legislative measures should not be regarded as a foregone conclusion. Discussions should start with economic development measures for Okinawa." This is due to Sakigake's concern that rushing discussions on legal measures for forcible land use will only lead to increasing hostility among the Okinawan people.

However, replying to a question from reporters on the same day, Sakigake Secretary General Yukio Hatoyama indicated that he does not completely deny the possibility of special legislation.

Japan: Government Considers Rotating U.S. Live Fire Drills

OW0507120696 Tokyo KYODO in English 1130 GMT 5 Jul 96

[FBIS Transcribed Text] Tokyo, July 5 KYODO — The government is considering using five out of nine proposed alternative sites in rotation as replacement for a U.S. Military firing range in Okinawa Prefecture, southwestern Japan, rather than choosing just one of them, government officials said Friday.

Live firing drills in the Okinawa range are held 12 times a year, but the officials said the U.S. Military is also considering reducing this number after they are moved to the mainland sites by increasing the duration of each drill from the usual three days to 10.

The controversial range is on land at Camp Hansen, but because of its configuration, part of a prefectural highway on the island has to be closed during drills, inconveniencing local residents.

Japan's nine Ground Self-Defense Force (GSDF) sites were initially suggested as alternatives to the Camp Hansen range, but the officials said the government has narrowed the list to five.

The five are the Yausubetsu Range in Hokkaido, the Ojojihara Range in Miyagi Prefecture, the Kitafuji Range in Yamanashi Prefecture, the Higashifuji Range in Shizuoka Prefecture and the Hijudai Range in Oita Prefecture.

The central government will notify the relevant prefectural governments once an official decision is made after the United States submits a report on the matter in mid-July, the officials said.

Drills at the proposed new sites are to be conducted from the 1997 fiscal year, which begins April 1, with the order of rotation decided by a special body consisting of representatives of the central and respective local administrations, they said.

Tokyo and Washington decided on the transfer following their agreement in April to reduce the number of drills and U.S. bases in Okinawa, Japan's southernmost island prefecture.

But the governors of all the prefectures in which the proposed alternative sites are located have already indicated strong opposition, ensuring that the government will have problems attempting to persuade them to accept the rotation proposal.

Okinawa Prefecture, which makes up less than 1 percent of Japan's total land area, is home to about 75 percent of land occupied by U.S. military facilities in Japan and to about half of U.S. troops stationed in Japan under bilateral security arrangements.

Japan: Solution to 'Okinawa Problem' Analyzed

OW0407134296 Tokyo GAIKO FORUM in Japanese 20 Jun 96 pp 56-67

[Article by Yukio Okamoto, international consultant: "Is It Possible To Solve the Okinawa Problem?"]

[FBIS Translated Text] The View of U.S. Military Bases in Japan

There is a great difference between the U.S. military bases in Japan as seen from the inside and as seen from the outside across the fences. Inside the bases, they are work places in the last analysis; there are facilities, there are offices and conference rooms in the buildings, and people are working. That is all there is to a base.

However, a U.S. military base as seen from the outside gives us quite a different impression. It is material civilization of the United States itself.

The vastness and richness of a military base located in a congested residential area is particularly conspicuous. There are long stretches of lawns, and white neat buildings are scattered about them. Although the income level of the Japanese is higher in reality due to the stronger yen, the people on a base seem to be living a better and higher life. The view of a base from inside and outside makes a sharp contrast.

Early in the 1970's, a group headed by Senator Stuart Symington visited Japan to conduct an actual survey of the U.S. military bases in Japan and compiled a report. I remember the senator's voice of surprise expressed in the report — "a U.S. military base in Japan looks as if it is built in the middle of Manhattan, New York." To start with, it is such a difficult job to build a base in a densely populated Japan.

Of course, it often happened that military bases were established first — there were no people around them, and then people came to live near them. In such a small country as Japan, people cannot refrain from living around bases. To say, "You have moved here fully aware of the noises from the base, have you not?" is not a responsible attitude for administration to assume.

A typical example is a U.S. naval air station, Atsugi, where night takeoff and landing practice is conducted. Both the inhabitants and the U.S. forces are suffering a great deal there: the inhabitants because of the noises; the U.S. forces because of the reduction of the number of flights as well as the lowering of training efficiency. How about the suspension of the training, then? The truth is that essentially the suspension does not solve the problem. For, if landing practice on a carrier by deck planes like F-14's and F-18's is suspended even for a few days, that will weaken the pilots' perception and will lead to accidental deaths or serious wounds.

Before training facilities were established in Ioujima in late 1991, night takeoff and landing practice had been conducted almost everyday while an aircraft carrier was in Yokosuka base. Since training on the sea cannot be conducted while a carrier is in Yokosuka, training is conducted on a land base to maintain pilots' skill. There were numerous complaints from the inhabitants, and during training, there were incessant phone calls of protest and incessant petitions from neighboring municipalities. Since the windows are kept open during the summer in particular, the damage of noises suffered by neighboring houses increases twofold.

When I was in charge of the security problem in the Foreign Ministry, I would often go to Atsugi. The destination of a diplomat's official trip is not always a spectacular foreign country. The amount of travelling expenses provided by an accountant was probably about 2,000 yen a day, although I am not so sure about it. I went to Atsugi with that money in my purse, and looked at the base from outside the fence with a representative of the inhabitants. Clinging to the fence, I kept looking at the U.S. forces' drills while being shouted at by the representative — "Can you stand this noise?" My business suit got muddy on rainy days.

I remember the face of a good-natured captain who was the U.S. naval base commanding officer, who said in a comfortable room in the base, "I am grateful for a good relationship between the inhabitants and us." The base commanding officer may have such a feeling. It is the commodore, the U.S. naval commander in Yokosuka and the superior of this base commanding officer, who is a responsible person for the training of deck planes' takeoffs and landings and who has to bear the brunt of the noise problem. We had to negotiate with this commodore concerning the reduction of training.

I often went to Yokosuka base early in the morning to meet with this commodore. For the sake of the inhabitants, I earnestly asked him to reduce flying time and the number of flights without theorizing. He must have found himself in a very difficult situation, but he gave me a generous cooperation. I think he became an American most familiar with Japan's legal holidays; for the inhabitants hoped for the suspension of training at least on legal holidays without regard to the degree of tension in the international situation, and they asked me to convey their desire to the U.S. forces.

To Maintain Adaptability

The military exists to provide against an emergency. Countries like Japan and the United States will not wage war on other countries on their own initiative. They exclusively defend themselves. Some may wonder if this is the case with U.S. forces also. That the U.S. armed forces in Japan will stick to a defensive role is incorporated in the government's uniform outlook submitted to the Diet that deliberated on the Japan-U.S. Security Treaty in 1960. Therefore, in the case of the Japan-U.S. alliance, the time and place of emergency is set by the invaders, whichever countries they may be. The most important mission of the alliance is to maintain the adaptability to stand up to the enemy. This is what training or activity is all about. Therefore, originally training or activity cannot compromise with inhabitants' complaints or Japan's political situation. The United States, however, has given a generous cooperation to Japan in the midst of all.

The maintenance of adaptability costs money. Japan's Ground Self-Defense Force has only 150,000 personnel. In the Far East, the army just in the PRC and the Korean Peninsula reaches nearly a surprising number of 4 million. If the army in the Far East Russia and Taiwan is included, 500,000 personnel must be added to the above figure. Nowhere else in the world is there an area where such a large military force is concentrated. It is not an easy task to always maintain adaptability in preparation for the collapse of balance in this area.

however remote that possibility may be. That requires a colossal amount of money and personnel.

I do not know how much it costs a day to maintain a U.S. aircraft carrier cruising in the sea around Japan. A 5,000-man crew is on board a carrier and works every day, and deck planes' landings and takeoffs are practiced more than 100 times a day on the deck. I keenly realize how great is a financial cost to maintain the deterrent potential. It is impossible for Japan to maintain such deterrent potential.

For example, the yearly average number of takeoffs and landings on the bases of the Air Self-Defense Force is about 2,500. I have heard, however, that the number of the same drills on the U.S. bases, such as Misawa and Iwakuni, is more than 70,000 respectively. In the case of Kadena air base, the drills reach the surprising number of 120,000. After all, these are all activities to maintain adaptability.

It is former U.S. Defense Secretary Caspar W. Weinberger who emphasized the "paradox of peace." It means that if the deterrent potential works, peace will be maintained and that if the maintenance of peace successfully leads to the establishment of real peace, people will think the deterrent potential is unnecessary. This is the case with Japan. As the Japan-U.S. security system is working effectively in maintaining peace, it is difficult to gain national consensus on bearing the cost necessary for the maintenance of the deterrent potential or adaptability.

Of course, despite the Japan-U.S. Security Treaty, there was a time when peace collapsed locally. However, even if the peace is broken, Japan refuses to face the fact and averts its eyes from it, and has managed to get along, insisting that there is "peace," although there is no peace.

When an airplane was hijacked, Japan, in an effort to save "human life that is heavier than the earth," released terrorists from the jail and scattered them around the world by taking measures that are above the law, succumbing to the demand of criminals. When asked to participate in an international joint action to confront an aggressor who appeared in the Gulf, Japan ended up providing only money, saying that Japan alone cannot send men to dangerous places. Even if Takeshima is occupied by South Korea, it is unthinkable for Japan to directly demand the return of the island from that country. Even if the Senkaku Islands are occupied by the PRC's armed forces like the Spratly Islands, Japan will not be able to assume a resolute attitude like the Philippines.

A few years ago, Tokyo High Court ruled that the government should give compensation to the inhabitants

in a noise suit involving Yokota air base. This itself is proper. The problem is the reason for the ruling. The court took the trouble to state that in peacetime national defense does not have priority over other administrative matters like the economy. In short, action that is necessary for the defense of the country does not necessarily merit a special importance. For this reason, even if a suspicious-looking plane makes an invasion, as long as it is in peacetime, the takeoff of a plane to be scrambled to meet the enemy does not have priority over the takeoff of a passenger plane carrying tourists at an airport used jointly by the military and the people, like Naha Airport.

Crises may come suddenly. Japan's common sense is that because Japan has a "no-war" Constitution, no countries will invade the country. However, that is not the sense of the international community that has lived with the grim realities of history.

The question of "whether the Japan-U.S. Security Treaty is necessary even after the end of the Cold War" is not theoretical. The question to be asked should be "whether it is necessary to defend the country even after the end of the Cold War."

As supporters of an unarmed neutrality theory that Japan should be unarmed do not amount to even 10 percent of the nation, 90 percent of the nation will respond that "defense is necessary." The next question is how to defend the country.

It will take more than 20 years for a collective security system to be established in Asia. Then, theoretically there are only two choices — to defend by oneself or to enter an alliance with other strong nations.

To defend itself, Japan needs to enlarge the scale of the present Self-Defense Forces (SDF) by at least several times in consideration of the military power of surrounding nations. Shields alone cannot defend the country, so it will become necessary to amend the Constitution so that Japan can have their own arms, or long-range bombers and long-range ballistic missiles. I do not think this will be the choice of the Japanese.

Then, there is no alternative but to enter an alliance with the United States. According to an opinion poll conducted by a newspaper company in May, supporters of the Japan-U.S. Security Treaty reach 70 percent of the nation despite the Okinawa problem. The security alliance is supported by the nation to such an extent. On the other hand, however, the instant that neighboring countries perceive that this system does not function, the security system will become a paper tiger. The deterrent potential and adaptability exist so that such a thing will not happen.

The View of Bases Within the United States

The view of bases in the United States looked different to the extent they had melted into the surrounding civic life. I have visited a considerable number of bases. The reason that I do not have a strong impression that "I have visited military bases" is that I do not have the consciousness of having visited dreadful, special places. Although there are security inspections, the atmosphere of bases is not very different from ordinary public facilities. Although there are fences, the civilian life outside the fences and the bases inside the fences look not so much separated as very close.

For example, Warren Air Force base in Wyoming cannot contain all of the MX peacekeeper missiles, so some of them are scattered among farms and private houses. There are launchers of intercontinental ballistic missiles (ICBM's) beside private houses.

In short, national defense activities are being accepted by the citizens without resistance.

Bangor naval base in the suburbs of Seattle, which is a home port of strategic nuclear submarines of the Trident-class, is more than 10 times as wide as Yokosuga naval base. Bangor base will be the first to be attacked by the Soviet Union's missiles in case of war with that country. I said to an elderly lady in town, "Are you not afraid of the Soviet Union's missiles?" The lady made an answer to my question, "What are you talking about? These youngsters [that is, the U.S. navy] are working to prevent those fellows from launching missiles."

Soldiers are treated with gratitude by ordinary citizens; they are never frowned upon. Soldiers are called "servicemen." The word means people who serve the country. The base also brings employment to the district, and a group of these servicemen have melted into the life of ordinary citizens, showing no sense of incompatibility.

In Japan the military has never been on the side of the people. The military had always been the oppressor of liberty till the end of World War II. In European countries and the United States, the military had sided with the people not only in the War of Independence but also in a citizens' revolution. The difference between Japan and Western countries is very great in this respect.

In the United States no one worries about a coup d'etat. Why is that? There is no other answer than the following: "In short, because the United States is a mature democracy." It is the military that protects the citizens. These soldiers, who defend the United States at great risk to life and with a small salary, are called "our boys," or our sons by Americans. Soldiers occupy a stable status in democracy.

These soldiers come to Japan. Personally, they owe no obligation to Japan, but they were ordered to serve in Japan and came to this country under the Japan-U.S. Security Treaty. They are not tourists with a travel brochure in their hands, so they are unfamiliar with Narita Airport. They probably have not much money. We must take them to their bases by bus. However, it was a tremendous job to erect bulletin boards inside Narita Airport for U.S. servicemen who come by civilian airplane. The Transport Ministry gave its cooperation to us, but the problem was the inhabitants' "opposition to the military use of the airport."

Everything becomes "military use." A few years ago, a U.S. naval vessel sailing in the Sea of Japan had an emergency medical case. To hospitalize him, a helicopter tried to carry him to an airport on the side of the Sea of Japan, but its landing was refused by the governor of that prefecture. The reason was the "military use" of the airport.

It is possible to put up a poster everywhere inviting applications for the position of cabaret hostesses. However, there are still many municipalities that do not approve the posting of a notice for the recruitment of self-defense officials. There was a time when the official residence of the prime minister, which was deliberating on measures for the Gulf War, issued instructions "to keep off uniformed self-defense officials."

Bases in Okinawa

Now about Camp Hansen in Okinawa. In terms of the number of personnel, it is the largest U.S. base in Japan. Of 20,000 Marines stationed in Okinawa, the 4th Marine Corps Regiment is stationed in this base. In news reports on the rape of a schoolgirl, the gate of this base was shown almost everyday. This base is located in Kin Cho. Whenever cases involving Marines occur, this town always suffers. In the past, Kin Cho's assembly members presented a petition to me. I cannot forget the desperate words of an old assemblywoman: "If there are only unmarried soldiers, they will become rough. Please build U.S. family residences on the base...." Her words struck home to me. If we had been alone, I would have grasped the hands of the lady who was choking down her emotions.

I was raised in Kanagawa Prefecture. There are U.S. bases and camps in 19 places of the prefecture. The prefecture has the largest number of bases except Okinawa. It has various problems. A plan was proposed to change Ikego U.S. ammunition depot located in Zushi City in the middle of the prefecture to U.S. family residences. This prompted a violent campaign against

the plan among housewives, who said, "How can we maintain public peace and order if they come?"

However, when it was found that American fathers who commute from their family residences are more well-mannered than Japanese drunkards, they gave environmental protection as their reason for opposition.

Due to large-scale development, the only green zone left in Miura peninsula was Ikego ammunition depot. When the central government tried to build residences there, various things were discovered. First, fossils of "shirouri" shells were found. Naturally, there are wild birds. In the end, some people even claimed that Ikego is the northernmost habitat for some mantis. Thus, the inhabitants' campaign had changed into a campaign for the preservation of the green zone. The inhabitants, who had said nothing about the private sector's indiscriminate development, lifted up their voice in protest against the government's cutting of a few trees even by changing their mayor.

Of all the countries in the world, only Japan has a peculiar conception that the private sector's activities for commercial purposes are permissible but the government's activities for defense purposes are unpardonable. This peculiar conception is reflected in a number of cases.

A case in point is the discussion on the Fleetsat in the 1980's. In accordance with the "Diet resolution concerning the peaceful use of outer space," the SDF's use of a communications satellite called the Fleetsat had been prohibited. A communications satellite is freely used for conversation among those who love each other and for business talks with overseas partners. However, the story goes that it is unpardonable for self-defense vessels to communicate with each other through communications satellites because that is against the Diet resolution. This is an episode we can recollect now half unbelievably. Until times not so far distant, only the SDF had been prohibited from using the Fleetsat.

On the one hand, the housewives in Ikego rigorously opposed the construction of U.S. family residences. On the other, the old lady in Kin Cho asked me to build at least peaceful family residences in her town. All I could do was to bow deeply at Kin's assembly members.

I had often visited Camp Hansen. I had visited a red-light district in Kin Cho, wearing jeans at night. On the street, bars stood in a row. There were showy neon signs, loitering girls inviting customers, and U.S. Marines roaming about. The military police were patrolling the street continuously.

However, there was something strange about the town. Kin Cho's red-light district was different from that of

"Dobuita" street in Yokosuka as well as that of the former back street of Isezaki Cho, Yokohama. There was only a vast sense of emptiness. No words were heard, there were no noises, and young Marines lacked vividness as if they were dolls.

I entered a bar and ordered a glass of whiskey. A Philippines dancer was dancing to a rock tune played at high volume. The customers were sturdy Marines. Everyone was bending his head and was listening to the music in silence with a stoop. No one was looking at the dancer. Having no money, they could order only a glass of beer till the closing time of the bar. Their beer costing 500 yen a glass had already lost its effervescence, and no foam was rising from the bottom of the glass.

The next bar had the same atmosphere, and so did the next. The vigor and bustle found in bars around bases in the United States were nonexistent here. I said to some of the young Marines, "Have you ever been to Tokyo?" They said, "Are you joking? We have never been to even Naha, because taxi fares are high after the last bus is gone." I said, "What? You receive pay, do you not?" They said, "After sending some money to our mothers back home, all we have is less than \$200."

I treated each of them to a glass of beer. Their gratitude was such that I felt a little bashful.

I went outside. Big men were walking along the street in silence as usual. I said to an old woman selling flowers in front of a bar, "Are you not afraid of selling flowers at such a place?" She said, "No, not a bit. These men are very polite."

We cannot hate crime enough, but a great majority of Marines are ordinary young men. It is not true that all Marines are villainous. If you doubt me, please ask the old woman selling flowers in Kin Cho.

I returned to my hotel by taxi. The fare was high because I had to ride a long distance. The hotel was full of young girls from Japan proper who came to Okinawa for sightseeing. The hotel was quite different from an isolated, dry Camp Hansen. Mainland Japan's luxury and pleasantness had been brought here as they were.

Once there was a billboard on Moon Beach's seacoast, along which resort hotels stood in a row. The billboard said in English, "Off Limits to GI's" It gave GI's a blunt refusal to enter the beach. It was similar to the billboard erected in Shanghai's International Settlement in former times, which said, "Off Limits to dogs and the Chinese" A certain Japanese newspaper reported that the billboard was built as a self-protecting policy owing to the increasing number of troubles between tourists and U.S. soldiers. If I remember correctly, the tone of the

press was rather considerate to the side that had built the billboard.

I made a telephone call to the Okinawa prefectural government immediately. "I do not know who built the billboard and why. That is too much. I want you to remove it." Then two officials from the prefectural government came up to Tokyo to explain the situation. They stammered out an explanation and I stood agape with surprise at the explanation. In short, the erection of a billboard was the last resort to control the behavior of young girls who came to Okinawa from Japan proper to associate with U.S. soldiers. They said, "It is not soldiers who are to blame. It is girls from Japan proper who are to blame." I said to them, "If the girls associate with soldiers of their own free will, that is their own business." They looked perplexed at my response and cited concrete examples of damage caused by the girls' behavior. I abstain from mentioning them here. The billboard was removed anyway.

There was a clear-cut difference between the stoic appearance of desolate Camp Hansen and the pleasure-seeking atmosphere of the seacoast on the opposite side of the island. The prefectural government officials, with a concerned look on their faces, expressed the hope that Japanese girls' pleasure-seeking atmosphere would not spread among young soldiers and would not lead to the increase of sex crimes. This is a story of a few years before the recent sexual attack on a schoolgirl.

Interaction Between Japan and U.S. Soldiers

However, it is a fact that there are some rough Marines. There is ample room for strengthening an educational program on the part of the U.S. Marine Corps. It is not good to recruit young men of 18 years old in the United States, impart only combat training to them, and send them to foreign countries with different cultures. It is necessary to conduct a strict education program for them when they are sent to Japan, in particular, where there are few crimes.

In this respect, military leaders' perception has a great significance. We have heard high-ranking U.S. government officials say, "The fact that a base has 20,000 adult males amounts to having a city with a population of tens of thousands of people. It is impossible to expect that a city of this scale will not have a single crime." This may be one theory, but it will not do. I have heard that Lt. General Richard Myers, the [former] U.S. commander stationed in Japan, gave the following moral discourse to his men: "We know you are closely observing regulations 99 percent, but we must make it 99.99 percent." What is necessary is this posture.

Interchanges between U.S. forces and local inhabitants are seemingly difficult in Okinawa, where people had tragic relations with the U.S. military. However, interchanges between Okinawan people and those young men who were listening intently to music, stooping rigidly in a bar in Kin Cho are possible and should be a priority.

In fact, I feel sorry for young men who are in isolated Camp Hansen, without knowing why they are in Japan. Despite the fact that they have to die for Japan in an emergency, they are being treated as a common nuisance by the Japanese. Their pay is pitifully small.

At that time I wanted to draw up a program, under which of the Marines in Camp Hansen, personnel with an excellent service record, were to be invited to Tokyo for sight-seeing with Japanese money. The reason is that I thought it would be a good incentive for those Marines who could afford only a 500-yen beer. Unfortunately, this program was not realized because of a lack of funds. After that, however, a training program in Tokyo for officers and petty officers was drawn up by the Japanese side, and the program seems to be playing a useful role.

At that time there was another success story. The university in Kadena air base, which is for U.S. military personnel, opened the door to the prefectural people through the cooperation of U.S. forces. Now, "studying abroad" in the university in the base has taken root among the prefectural people, and I have heard that about 120 Okinawan students attend the university. It is said that there is no end to applicants.

In addition, this system has spread later to other universities in U.S. military bases in mainland Japan.

Is It Possible To Solve the Okinawan Issue?

Burdens borne by Okinawa are too excessive. The mere reduction of U.S. forces-related cases and accidents and the mere promotion of interchanges between U.S. service members and local people will not lead to the solution of the Okinawa issue, of course. The matter is not as simple as that.

There are various circumstances behind Okinawa's history of 50 years after World War II. Obviously, three pillars are necessary for the solution of the Okinawa issue.

First, the effect that the existence and activity of U.S. forces in Okinawa have on the living of inhabitants should be reduced to the minimum.

Second, the imbalance of burdens between Okinawa and Japan proper should be corrected as much as possible.

Third, a special compensation should be given for the burden borne by Okinawa.

Concerning the first pillar, U.S. forces' thorough cooperation is necessary. I have already written about the necessity of educational programs for soldiers as well as of interchange between U.S. service personnel and inhabitants. Considerable improvements have been made so far on the action of U.S. forces. Recently, marching exercises in Okinawa's urban districts were suspended. It was a good thing. U.S. forces also must bear some inconvenience because they engage in their activities in a foreign country even if it is an allied one.

The way live ammunition exercises are conducted in Okinawa should also be examined. It is pathetic to see the scraped wounds on the mountain surface of Mt. Ona.

Such discussions must be conducted, first of all, at the highest level. The discretionary power of field commanders, who are responsible to maintain the power to meet an emergency, is limited. To U.S. forces, the reduction of activity means the acceptance of sacrifice. To what extent are U.S. forces going to accept this sacrifice to engage in activities in Okinawa on a stable basis? This can be decided only by the supreme commander of three armed services, or the president, and his government secretaries. It is possible to change the method of training or exercises only under his direct guidance.

The sphere of activities of the U.S. Forces in Japan and their constituent members is decided by the rights and obligations as provided for in the Japan-U.S. Status of Forces Agreement. Immediately after the sexual assault on a schoolgirl, many people expressed the view that "the Japan-U.S. Status of Forces Agreement is an unequal treaty imposed on defeated Japan by victorious United States." This view is wrong.

For the military that has physical destructive power as well as its constituent members (soldiers) not only a special framework is necessary because of their attributes, but also more rigorous regulations than ones applied to ordinary people. For example, as for court jurisdiction, crimes committed by soldiers are judged under uniform martial law, not under general criminal law. Penal provisions of uniform martial law are severe to maintain military discipline. For example, the maximum penalty for a sexual attack on a girl is capital punishment. Martial law must be applied to overseas U.S. forces. For this reason, the Status of Forces Agreement is concluded with the other country where U.S. forces are stationed, and U.S. martial law is applied to these forces.

Martial law is more severe than general law, so Germany, even if it has court jurisdiction over a crime

committed by a U.S. soldier stationed in its country, often voluntarily abdicates its jurisdiction and relegates the case to the U.S. forces. The reason is that Germany wants the U.S. forces to impose a heavier penalty on the criminal.

U.S. forces do not have extraterritorial rights in Japan. In the Japan-U.S. Security Treaty, there are words "facilities and areas," but not the word "bases." Once status like extraterritorial rights was granted to bases established by the United States in the Philippines. This is not the case with Japan. Therefore, whether Japan has court jurisdiction over a U.S. soldier is determined by whether his action has been taken in line of duty or not. Whether the action has taken place inside or outside the base has nothing to do with court jurisdiction. U.S. bases are not a leased territory.

U.S. forces' rights guaranteed by Status of Forces Agreement, like free passage on expressways, seem to be a prerogative to the general public [there is no free passage because passage money of U.S. military vehicles engaging in official business is paid afterward by the Defense Facilities Administration Agency to the Japan Highway Public Corporation. It is merely the problem of burden classification. Passage not in line of duty is naturally to be borne by individuals]. There also exists a view that freedom of action that U.S. forces have under the Status of Forces Agreement is too great. That is partially correct. On the other hand, it is quite a different matter whether U.S. forces are actually exercising that right.

For example, U.S. forces are supposed to have access to every airport and harbor in Japan. However, as shown by some examples given above, the reverse is the case due to the opposition of municipalities.

There are various elements in the Status of Forces Agreement: There is an area where the Japanese side thinks that it has made too much of a concession; there is an area where the U.S. side thinks that it has made too much of a concession; there is an area where U.S. forces cannot exercise the right, although it has that right; and other areas. Therefore, the situation becomes uncontrollable if one tampers with parts of the package that is balanced as a whole. That is what the "Pandora's box" is all about. This may be a natural feeling for officials engaged in administrative work. In addition, the United States must consider not only the problem of balance concerning the Japan-U.S. Status of Forces Agreement itself, but also the problem of balance between that and nearly 40 status of forces agreements concluded with other countries. Therefore, it is said to be more practical to reach an agreement to improve the

aspect of application regarding U.S. forces' action than otherwise.

At present Okinawa Prefecture's demand for an amendment to the Status of Forces Agreement covers 10 articles. One of the amended articles explicitly says: "When the prefectural or municipal governments have made a request for the return of bases, the United States government must comply with such a request." This is a questionable demand, given the fact that the Status of Forces Agreement is a treaty between countries. If a demand is for an amendment to the Status of Forces Agreement, not for its operational improvement, that is for the Diet to decide.

The second pillar, the equalization of burden, is "easier said than done."

Through the negotiations of the two countries, triggered by the sexual assault on a schoolgirl, it was decided that about 20 percent of U.S. forces' bases in Okinawa will be returned. This is commendable. However, a fundamental difference still remains between Okinawa and Japan proper. It is meaningless to produce the average value as a whole because some prefectures in Japan proper have U.S. bases, and others do not. Simply calculated, however, the ratio of burden between Okinawa and Japan proper regarding U.S. bases is 1-to-230 per person even if the agreed reduction is realized.

It is theoretically possible to relocate some of the U.S. troops and facilities stationed in Okinawa to Japan proper. However, two problems lie before the relocation expense problem.

The first is the operational problem of the security treaty. Okinawa, which is on the southern tip of Japan, is located in the center of the Far East. Even if a base in Okinawa is relocated to the northern end of Japan, for example, are the base's role and function not impaired? In addition, there will also be the problems of support facilities and hinterland.

However, there is a much more difficult problem than those above — a conceivable opposition at the relocation site of bases. If an attempt to relocate bases to mainland Japan is made due to Okinawa's opposition, the relocation will not go smoothly due to mainland Japan's opposition this time. Okinawa will make further opposition, saying that mainland Japan is imposing what it opposes on Okinawa. This is a vicious cycle.

The relocation of bases to mainland Japan needs a bold political judgment and a high-grade maneuver behind the scenes. The feeling of the recipient side will be affected not a little by an image. This may be case with the current opposition campaign in Iwakuni, to which KC-130 Hercules aircraft are to be transferred from

[Marine Corps Air Station] Futenma. In compensation for that, 20 noisier AV-8 Harrier aircraft are to be transferred from Iwakuni to the United States, so Iwakuni does not have to bear an increased burden. However, Iwakuni is strongly opposed to the transfer of KC-130 Hercules aircraft from MCAS Futenma. In short, the reason may be that the impression that Iwakuni will have to take over the burden of MCAS Futenma is walking ahead of everything.

It is simple to present an irresponsible plan as if it were a billiard game — to transfer the troop A stationed in Okinawa to the area B in mainland Japan, and transfer the troop C stationed in the area B to the area D, and so on. The problem is not to make a plan, but to carry it out. Once the plan is made public, the transfer becomes impossible at that point. The transfer of bases is a very difficult task. However, it is time for us to tackle this problem.

Compensation for Okinawa

U.S. forces will have to continue to stay in Okinawa until a fundamental change in the situation of the Korean Peninsula or in the composition of East Asian countries' military power occurs. Therefore, the third pillar becomes important. In short, the problem is what kind of compensation is possible for Okinawa, which has to bear a disproportionate burden that still remains even if mainland Japan takes over Okinawa's burden as much as possible.

Since its reversion to Japan, Okinawa's development has been promoted principally with three laws for Okinawa development, like special measure law for Okinawa promotion and development, and reversion special law [law concerning special measures attendant on the reversion of Okinawa to Japan]. Its mediator is the Okinawa Development Agency. However, these policies had been formulated to bring Okinawa close to the economic level of mainland Japan as early as possible, for Okinawa had lagged far behind mainland Japan at the time of its reversion to Japan. These policies are not intended for "compensation."

Financial measures, involving a large amount money, have been taken for Okinawa so far. The 1995 operating budget for Okinawa promotion and development, appropriated by the Okinawa Development Agency, amounted to a little less than 300 billion yen. The total amount since the reversion of Okinawa to Japan reaches 4,600 billion yen. The development of infrastructures, in particular, has made considerable progress.

However, such an economic development system is basically similar to a solitary islands development plan, and does not have a compensational nature for an undue

burden borne by Okinawa for the security of Japan as a whole. As a special measure in terms of compensation, only 6 billion yen, or a military base grant, is appropriated. Okinawa development administration, conducted chiefly by the Okinawa Development Agency, as well as security administration, conducted by the Defense Agency, the Defense Facilities Administration Agency, and the Foreign Ministry are being promoted without mutual relationship.

To Okinawa Prefecture, which is forced to bear a special burden, 1:320, a special status and right should be given as a compensation. As an extreme case, for example, reduction of and exemption from the prefectural citizen tax amounting to more than 20 billion yen should be implemented in compensation for the stationing of military bases in Okinawa. Even if a special tax allocated to local governments becomes necessary to make up for decrease in revenue due to reduction of and exemption from the prefectural citizen tax, that is a security fee to be borne by the country as a whole. It is due to the Japan-U.S. security system that we can get along on a small defense budget compared with a national budget of 4.8 trillion yen. It is not a wild undertaking to impose some increased tax burden on the general public as a whole to maintain this security system.

Okinawa's per capita income is the lowest in Japan and its unemployment rate exceeds 6 percent. Therefore, Okinawa's situation will not change easily even if the above measures are taken. The prefecture's economic structure shows that the prefecture is far from being self-reliant. Okinawa's base-related revenue of 150 billion yen is larger than the total amount gained from the primary industry. Nearly 80 percent of Okinawa Prefecture's finance depends on national treasury disbursements, tax allocated to local governments, and others.

What Okinawa needs is economic self-reliance. Therefore, it is good to give Okinawa a special status even if there is a legal difficulty. In the first place, Okinawa had been a considerably free economic zone before its reversion to Japan.

A three-hectare area near Naha Airport is designated as a free trade zone. Actually, however, there are only bonded warehouses in the zone. We should boldly designate a wide area including Naha City as a free trade zone in the true sense of the word. What is important is to drastically ease various regulations in the zone. Then a miniature Hong Kong may be expected.

Other measures can be taken. Airport landing charges and charges for using navigation support facilities, which are being discounted now to reduce airway freight, can be reduced to zero. Or reduction of and

exemption from the gasoline tax can be implemented. In short, should we not take measures so that there will be people willing to live in an area where there is a base for economic reasons?

If the corporation tax is reduced, enterprises in mainland Japan will come to Okinawa. If economic activities become active, tax revenue will not decrease so much.

In the last analysis, there must be national consensus to give a special status to Okinawa commensurate to its sacrifice. This is not impossible if there is political leadership.

A Crisis That Will Come Next Year

Last April the government's right to use a plot of land owned by Shoichi Chibana in the U.S. forces' Sobe communications facility expired and caused serious trouble. His land occupies only one-two thousandth of the communications facility. The government explained that "its use of the land is not illegal." It established fences around the facility, although people were saying that they would enter the facility peacefully; it stationed 1,500 riot policemen there. Because of such unbalanced measures, the government lost the general public's support.

In May next year, Okinawa will greet a much more serious situation than the above case. The government's right to use the land owned by 100 landowners and 2900 one tsubo [3.954 sq. yds.] anti-war landowners will expire. Moreover, the plots of land are scattered on the runway and others of Kadena air base, which is more important than Sobe facility. If Okinawa Prefecture's cooperation is not obtained, the government will have to take special measures to cope with the situation in order to maintain the security system that is supported by 70 percent of the general public. However, that will not solve everything. Unless the government's action gains the understanding of the majority of the Okinawan people, Okinawa will stir up much opposition. Then the stable use of bases in Okinawa cannot be hoped for, and the security system will not make smooth progress in its operation.

I have concerned myself in the security issue while in office. Although we could not do so much, the greatest task achieved by our team had not been recognized and is still not recognized as a serious matter. The matter could have become an extremely difficult problem if we had mishandled it. However, through careful groundwork and with the cooperation of municipality heads, we had been able to accomplish the task. We had solved the problem before it became serious, so no one praised us. However, the young men who took charge

of this matter will still be satisfied with their work that has made the security system as it is now.

Our methods used then will not be applicable today because the Okinawa problem has already become serious. However, this is what administration is all about. Now it is necessary for us to solve this problem by containing it somehow. That will save the security system even if no one praises us.

Japan: Former MSDF Officer on U.S.-Japan Navy Friendship Association

DW0407005596 Tokyo BOEI GIJUTSU JANARU in Japanese Jun 96 pp 45-46

[Article by Mitsuhiro Matsuzaki, adviser, NEC Corporation; former vice admiral and assistant director general for Naval Equipment Development]

[FBIS Translated Text] Since the last Great War [Second World War], our nation has established an alliance relationship with the United States and maintained the Japan-U.S. security arrangement. The history of the past speaks of the need and extreme importance of this relationship for Japan. The Japan-U.S. Security Treaty is an indispensable means for guaranteeing the freedom and security of both Japan and the United States as well as promoting the peace and prosperity of the Asia-Pacific region. Supporting henceforth the Japan-U.S. Security Treaty, working for its global, effective, and sure management, building a relationship of friendship, and ensuring confidence in it can all be considered important. The Maritime Self-Defense Force [MSDF], under the Japan-U.S. security arrangement, has as its major missions "defense of the sea lanes" and "defense of the waters around Japan." With those ends in mind, in the past the MSDF has emphasized joint training between Japanese and U.S. naval forces, engaging in such activities as special anti-submarine training, special mine-sweeping training, joint Self-Defense Forces exercises, and command exercises. In a speech given in March 1994, former Commander in Chief, Pacific Fleet, Admiral Kelly [name as published] made some meaningful, impressive remarks: "Within the Japan-U.S. partnership, there is no more important relationship than that between the Japanese and U.S. Navies. This is a readily visible relationship that forms the nucleus of security for the Asia-Pacific region. I believe that it is precisely because the ships, aircraft, and troops of our two countries cooperate well together that we are able to build ties of friendship between Japan and the United States that will not crumble even if trouble arises between our two governments. Our two navies have an illustrious tradition of professionalism, solidarity, and mutual respect." Here I would note that the U.S.-Japan Navy Friendship Association (JANAF) was established in April 1991

out of the desire to encourage and recognize the efforts of the U.S. Navy's officers and men who left to participate in the Gulf war. Within a bilateral relationship experiencing new and difficult conditions after the Cold War, the objectives in establishing JANAF are to support the roles of both navies and to strengthen further the Japan-U.S. alliance by building on the ties of mutual trust and friendship cultivated since the establishment of the MSDF. As of January 1996, the membership of JANAF is as follows: full members (retired MSDF members), 309; individual supporting members, 60; corporate supporting members, 33 firms (40 individuals); and four organizations. JANAF's activities to date include the following: recognition for the officers and men of the U.S. Navy who returned to Japan after service in the Gulf war; events to welcome and see off aircraft carriers ported in Japan; and the invitation and guiding of U.S. military personnel and their family members on visits of MSDF ships. Other events staged include regularly scheduled lectures throughout the year; informational activities for JANAF members in the form of study tours to U.S. Navy facilities, ships, and air units as well as MSDF ships; social gatherings for active duty personnel in the two navies; a Japan-U.S. friendship golf tournament; farewell parties for top officers of the two navies on their departure from Japan; and the publication of a newsletter. On the other hand, JANAF members have also received invitations to various events from the U.S. Navy. Moreover the MSDF units that took part in mine-sweeping activities in the Persian Gulf received commendations after their return to Japan from the U.S. Navy Wives' Association. JANAF has received high marks for its activities from both the Japanese and U.S. Navies, and there are high expectations for future activities. Rear Admiral Tobin, then commander of the U.S. Navy in Japan, said in a speech in May 1994, "The Association is a gem in playing a role in forging close ties between the navies of Japan and the United States." U.S. Navy 7th Fleet Commander Vice Admiral Clements has also expressed his high regard for JANAF in such ways as giving a personal briefing when members conducted a study tour of the amphibious assault ship Belleau Wood. In participating in JANAF's activities, its members are not hoping for anything in return. Rather their greatest joy is in contributing to greater friendship between the navies of Japan and the United States. In the future, while carefully preserving the spirit shown in our early days, we are aiming to broaden the Association's scope from Atsugi and Yokosuka at present to such areas as Sasebo, Iwakuni, Hachinohe, and Okinawa. In the words of former Rear Admiral Hernandez, who contributed to JANAF's founding when he was commander of the U.S. Navy in Japan, "The Association will enlighten

leaders in different fields throughout Japan as well as the Japanese people on the value and importance of the maritime deterrent power and maritime fighting power of the Japanese and U.S. navies working together." This can be considered a great enterprise for JANAF and issue for the future.

Japan: Spokesman on Aid to Bosnia, Other Issues
 OW0307144896 (Internet) Japanese Ministry of
 Foreign Affairs WWW in English 2 Jul 96

[News conference by Japanese Foreign Ministry
 spokesman Hiroshi Hashimoto with unidentified re-
 porters on 2 July; place not given; from the "What's
 New!" link]

[FBIS Transcribed Text] [Topics of Discussion]

I. Announcements

A. Financial Contributions for Holding of Elections in
 Bosnia and Herzegovina

B. Japan Initiatives at the Lyons Summit

C. Conference on Nuclear Safety To Be Hosted by Japan

II. Proposed Funding Reduction for Korean Peninsula
 Energy Development Organization (KEDO) by the
 United States Congress

III. Japanese Funding for Korean Peninsula Energy
 Development Organization (KEDO)

I. Announcements

**A. Financial Contributions for Holding of Elections
 in Bosnia and Herzegovina**

Foreign Ministry Spokesman Hiroshi Hashimoto: Good
 afternoon, ladies and gentlemen. I would like to make
 a few announcements, or rather an announcement and
 some explanations regarding certain topics. Today, 2
 July, the Government of Japan decided to extend finan-
 cial contributions of US\$2 million for the purchase of
 ballot papers, etc., to the Organization for Security and
 Cooperation in Europe (OSCE), with a view to assisting
 the holding of elections in Bosnia and Herzegovina to
 be held on 14 September.

B. Japan Initiatives at the Lyons Summit

Spokesman Hiroshi Hashimoto: The next announcement
 is related to the Lyons Summit, which just finished.
 When Prime Minister Ryutaro Hashimoto held his press
 conference, we distributed a paper entitled Japan Initia-
 tives at the Lyons Summit. This includes what Prime
 Minister Hashimoto proposed at the Lyons Summit,
 and also contains some related measures from the Gov-
 ernment of Japan. Please draw your attention to page

three, chapter three, "Initiative of Global Issues," Part
 B, "Counterterrorism." Japan is happy to participate in
 the G-8 Meeting on counterterrorism which will be held
 soon in Paris. Currently, Japan is also proposing to host
 an international seminar — to be attended by industrial-
 ized and developing nations — on the theme of promot-
 ing mutual cooperation. This will be held sometime be-
 fore the 1997 G-7 Summit. At the last summit in Lyons,
 those attending talked about the need to strengthen co-
 operation among the G-8 countries regarding countert-
 errorism. But, at the same time, Japan is of the view that
 terrorism should be tackled not only within the context
 of G-8, but also outside the G-8 framework. Japan is
 now proposing a seminar including both developed and
 developing countries. Also, please draw your attention
 to the document entitled "Measures To Deal with Anti-
 Personnel Landmines." Japan, at this time, has decided
 to upgrade our policy on this issue. Japan has decided
 to extend its support for international efforts aiming to-
 wards a total worldwide ban on anti-personnel land-
 mines. At the same time, Japan has decided to take uni-
 lateral initiatives, even before an agreement is signed,
 on the use of anti-personnel landmines. At the same
 time, Japan is also proposing to hold an international
 conference at the senior official level in Tokyo early
 next year with a view toward reinforcing international
 support for the work of the United Nations in landmine
 clearance, development of new technology for landmine
 detection and removal, and thirdly, international assis-
 tance for rehabilitation of landmine dictates.

C. Conference on Nuclear Safety To Be Hosted by Japan

Spokesman Hiroshi Hashimoto: Lastly, I would like to
 quickly provide an explanation on a topic I talked about
 in my previous press conference regarding Japan's in-
 tention to hold a conference on nuclear safety in Asia. I
 would like to provide further explanation on this topic.
 Japan intends to hold this seminar in November of this
 year. The agenda of the conference needs to be worked
 out. Roughly, we have the following three points on our
 minds. One is safety of nuclear powerplants. The sec-
 ond is the management of radioactive wastes. And, the
 third is regional cooperation on damage compensation
 caused by nuclear powerplants. Japan intends to invite
 representatives of the Asian countries which have al-
 ready introduced nuclear energy commercially and who
 are also contemplating ownership of their own nuclear
 powerplants, notably the People's Republic of China,
 the Republic of Korea, the Republic of Indonesia, the
 Socialist Republic of Vietnam, the Kingdom of Thai-
 land, etc. At the same time, Japan welcomes the partici-
 pation of the G-7 countries and the Russian Federation,

if these countries wish to participate. Japan also welcomes the European Union as an observer.

Those are the announcements that I wanted to make, and I will be delighted to respond to any questions that you might have.

II. Proposed Funding Reduction for Korean Peninsula Energy Development Organization (KEDO) by the United States Congress

Q: Yesterday evening, the Korea Central News Agency, North Korea's international voice, threatened to step away from its freeze on the nuclear reactor program in response to United States Congressional pressure to cut the Korean Peninsula Energy Development Organization (KEDO) budget. What is Japan's stance on this?

A: I am not aware of the news release that was released yesterday evening. I had a chance to talk to the officials of the Northeast Asia Division a couple of hours ago and we did not talk about that.

Q: In this election year in the United States, the Republican Congress has drafted a bill to cut the pledge to KEDO in half, to US\$13 million. North Korea responded to this news by stating that if the heavy oil that is part of the KEDO agreement does not come, then they will have to rethink their position on freezing nuclear reactor development. There is a concern not that North Korea means what it says right now, but that the KEDO project has become a hostage.

A: I will check on this, and get back to you immediately. The Government of Japan is concerned about the move by the United States Congress regarding the KEDO budget. We are extremely unhappy that the Congress decided to cut the budget from US\$25 million to US\$13 million. On the other hand, Prime Minister Hashimoto explained the need to get finances from other sources to his colleagues in Lyons, too. He encouraged, especially the European Union, to provide regular funding to KEDO. We understand that the European Commission has proposed a program of annual funding of ECU 15 million for 5 years. The European Commission has made this proposal to the upper organs of the European Union, but European Union has not yet agreed to this. We are asking the European Union to decide on this. If the European Union cannot decide on this quickly, we encourage the European Union to give us, separately, additional funding for KEDO.

III. Japanese Funding for Korean Peninsula Energy Development Organization (KEDO)

Q: This happened once before did it not? Didn't Japan step in to cover the costs at that time also?

A: Yes, at one time several months ago, last March if I remember correctly, the United States Congress did not release the money. Japan was eventually obliged to extend additional funds to KEDO. Unless the Congress extends US\$25 million, the question becomes who can bear the cost? I am sure that the Japanese taxpayers will not be happy with this. Japan has stated that we are ready to play a substantial role in the financial support of KEDO, while the Republic of Korea plays a central role. Still we do not know actually what amount of money is necessary. Currently, KEDO is investigating this and doing a cost analysis.

Q: It seems the United States has become a bit less reliable in working out this North Korea nuclear energy deal.

A: Prime Minister Hashimoto has asked President Bill Clinton of the United States to work harder to get the amount of money that was originally agreed to for KEDO. Thank you very much.

Tokyo Praises Continuation of Reform Line in Russia

*OW0407021996 Tokyo KYODO in English
0141 GMT 4 Jul 96*

[FBIS Transcribed Text] Tokyo, July 4 KYODO — Japan welcomes Russian President Boris Yeltsin's reported victory in the presidential election runoff and expected continuation of a national reform drive, a high-ranking Foreign Ministry official said Thursday.

"Basically, the country's reform efforts will be kept on track," the official said, referring to Yeltsin's near-certain triumph over Communist Party leader Gennadiy Zyuganov in Wednesday's poll.

As a result of Yeltsin's victory, Tokyo does not have to change its stance in its ties with Russia, especially over a long-simmering territorial dispute, ministry officials said.

In line with the 1993 Tokyo declaration, Japan will seek to resume bilateral talks as quickly as possible on the resolution of the row over four Russian-held islands off Japan's northernmost main island of Hokkaido, one official said.

The declaration calls for an early solution of the dispute over the islands — Etorofu, Kunashiri, Shikotan and the Habomai group of islets.

Japan has long demanded the return of the islands which the Soviet Union seized at the end of World War II and the conclusion of a bilateral peace treaty.

Japan: Hashimoto Wants Yeltsin To Continue Reforms

OWD407105196 Tokyo KYODO in English
1016 GMT 4 Jul 96

[FBIS Transcribed Text] Tokyo, July 4 KYODO — Prime Minister Ryutaro Hashimoto on Thursday expressed hope that Russian President Boris Yeltsin will continue to promote political and economic reforms now that he is assured of heading back to the Kremlin for four more years.

"I hope that president Yeltsin will lead to continue to put all his energy into promoting Russia's reform in both the political and economic fields," Hashimoto said in a statement.

Commenting on Yeltsin's victory over communist challenger Gennadiy Zyuganov in Wednesday's runoff election, he also said the presidential polls were held in a "free and fair" manner.

"I rate this highly as a manifestation of progress in Russia's democratization efforts," the premier said in the statement.

Hashimoto also expressed hope that Yeltsin will make "serious efforts" to move relations with Japan forward, including resolution of a long-standing territorial dispute over four Russian-held islands off Japan's northernmost main island of Hokkaido.

During their summit in Moscow in April, Hashimoto and Yeltsin reaffirmed the need to enhance bilateral ties in line with the 1993 Tokyo declaration that calls for an early solution of the row over the four contested islands — Etorofu, Kunashiri, Shikotan and the Habomai group of islets.

Japan has long demanded the return of the islands, which the former Soviet union seized at the end of World War II, as a prerequisite for conclusion of a bilateral peace treaty.

Foreign Ministry Spokesman Hiroshi Hashimoto told a news conference later that Yeltsin's victory is significant from the viewpoint of Russia's democratization.

"As the election was, in a way, the selection between the two: continuation of reform or return to the Soviet era, the outcome is noteworthy in light of the establishment of democracy in Russia," he said.

The spokesman also said Tokyo will closely monitor who will assume what posts in the new Russian government and what internal and external policies Moscow will adopt.

He declined to comment on Yeltsin's health, a potentially destabilizing factor in Russian politics, saying

merely that the foreign ministry does not make comments on foreign dignitaries' health.

But Chief Cabinet Secretary Seiroku Kajiyama, the top government spokesman, said in a separate press meeting that the Russian leader suffered from some type of speech disorder during the election campaign and his voting at his own dacha on the outskirts of Moscow suggests there are grounds for some anxiety about his health.

On the territorial row, the Foreign Ministry's Hashimoto said Foreign Minister Yukihiko Ikeda will meet his Russian counterpart in Jakarta late this month, when they attend ASEAN's regional forum on security.

The spokesman said the Japanese and Russian foreign ministers will discuss when to resume vice ministerial-level negotiations on the resolution of the dispute, which have been virtually stalled since last September.

In their Moscow summit in April, Hashimoto and Yeltsin agreed to hold foreign ministerial talks and reopen negotiations so as to settle the territorial row in line with the Tokyo declaration.

Japan: Hashimoto Hopes Yeltsin Election Victory Secures Reform

OWD407043896 Tokyo KYODO in English
0348 GMT 4 Jul 96

[FBIS Transcribed Text] Tokyo, July 4 KYODO — Prime Minister Ryutaro Hashimoto voiced hope Thursday that the reported victory of President Boris Yeltsin in Russia's first direct presidential election will secure continuation of the country's reform drive.

Hashimoto told reporters he is now watching who will take what government posts, saying Russia's finance and economy are important for Japan while its defense and security take importance for the international community.

Yeltsin is reportedly holding a comfortable lead over communist party rival Gennadiy Zyuganov in the presidential election runoff that was held Wednesday.

Chief Cabinet Secretary Seiroku Kajiyama, the top government spokesman, said Japan welcomes the fact that Yeltsin is being picked through a free and just election, showing the development of Russian democratization.

Japan hopes the Russian reform drive will not retreat after the election and that Moscow will make efforts to normalize relations with Tokyo, he said.

The two countries agreed to seek to normalize bilateral relations in the October 1993 Tokyo declaration through

resolving a territorial dispute and signing a peace treaty, he told a press conference.

Asked about Yeltsin's health, Kajiyama said the president suffered from some speech disorder during the campaign and Yeltsin's casting his vote at his own dacha in a Moscow suburb suggests there are grounds for some anxiety about his health.

Foreign ministry officials said a victory for Yeltsin will mean Japan does not have to change its stance in its ties with Russia, especially over the long-simmering territorial dispute.

In line with the Tokyo declaration, Japan will seek to resume bilateral talks as quickly as possible on the resolution of the row over four Russian-held islands off Japan's northernmost main island of Hokkaido, a foreign ministry official said.

The declaration calls for an early solution of the dispute over the islands — Itorofu, Kunashiri, Shikotan and the Habomai group of islets.

Japan has long demanded the return of the islands which the Soviet Union seized at the end of World War II before a bilateral peace treaty can be concluded.

Japan: Foreign Minister Backs Continuation of Russian Reforms

OW0307061096 Tokyo KYODO in English
0457 GMT 3 Jul 96

[FBIS Transcribed Text] Tokyo, July 3 KYODO — Japan hopes that under the reelected President Boris Yeltsin, Russia will continue promoting political and economic reform, Foreign Minister Yukihiko Ikeda said Friday.

Speaking at a news conference, Ikeda said Yeltsin's clear win in Wednesday's runoff poll over communist leader Gennadiy Zyuganov shows that Russian people support Yeltsin's reform-oriented policy.

Ikeda also said he hopes Russia will adopt policies that are "more internationally cooperative and flexible" than before, adding that Tokyo wants to activate bilateral talks on a long-standing territorial dispute over four Russian-held islands off Japan's northernmost main island of Hokkaido.

The former Soviet Union seized the islands in the closing days of World War II. Japan has since demanded the return of the islands — Itorofu, Kunashiri, Shikotan and the Habomai group of islets — as a prerequisite for concluding a bilateral peace treaty.

Japan: Business Circles, Keidanren Welcome Yeltsin's Reelection

OW0407111096 Tokyo KYODO in English
1041 GMT 4 Jul 96

[FBIS Transcribed Text] Tokyo, July 4 KYODO — Japanese business circles Thursday welcomed Russian President Boris Yeltsin's victory in Wednesday's runoff election, hoping Russia will continue with a market-oriented economic policy under his leadership.

"I hope he will work promptly to harmonize society, build a solid market economy in Russia and integrate it into the world economy," said Jiro Kawake, chairman of the Japan-Russia business cooperation committee at the Federation of Economic Organizations (Keidanren).

Yeltsin's reelection is expected to prompt the panel to start executing an aid package, including port construction in the Russian Far East.

Japanese trading houses, meanwhile, are in partnership with major U.S. and European oil companies to explore oil and natural gas off Sakhalin. They are now likely to bring their preparations into full swing to begin production around the year 2000.

"Russia's oil output has halved from its peak level, causing fuel shortages and frequent power failures," said Kyosuke Arioka, president of Sakhalin Oil Development Cooperation Co., one of the companies exploring oil and gas in the region.

"Russia is hoping for the success of the (oil and gas) venture more than anyone else. Tides toward reform will remain unchanged," Arioka said.

Business circles expect economic development will help Russia achieve political stability.

"Russia has suffered turmoil by giving priority to political reform," said Susumu Yoshida, senior managing director of Nissho Iwai Corp. "Its state system will gradually take shape, with economic reconstruction serving as an axis."

Japan: Summary of White Paper on International Trade

OW0307031796 (Internet) Japan Economic Foundation WWW in English July 96

[Summary of White Paper on International Trade 1996 release] by the Ministry of International Trade and Industry, from the "What's New" link — figures and tables referred to in the text can be accessed

through the following url: www.jef.or.jp/news/wp1996/white1996con.html]

[FBIS Transcribed Text] Summary of White Paper on International Trade 1996

Chapter 1. The Changing World Trading System and Japan's Trade

Section 1. World Economy Moves Towards Stability With Some Remaining Problems

In recent years, the world economy has continued to experience moderate growth, and in 1995 as well, reflecting the high growth of East Asian economies. East Asian economies account for an increasing proportion of the global gross domestic product (GDP) (Figure 1-1). Reflecting the growth of the global economy, world trade in 1995 continued to rapidly expand. East Asia also accounts for a growing share of world trade (Figure 1-2).

Section 2. Changes in the World Trading System

A look at changes in the world trading system reveals the establishment of the World Trade Organization (WTO) in January of 1995. In addition, there has been considerable regional integration in the 1990's (Figure 1-3). Among these, with regard to regional integration which have institutional frameworks, we see various developments ranging from those aimed at inter-regional trade liberalization to those aimed at harmonization of a wide range of systems (Table 1-4). As for the economic effects of regional integration, the aspects such as the promotion of direct investment and international harmonization of systems, as well as trade effects, such as market expansion effects resulting from economies of scale, are attracting attention (Figure 1-5). As regional integration agreements and initiatives increase, the impact on the world trading system can no longer be ignored. From this perspective, it is necessary to increase the consistency with multilateral trading systems, and it has been agreed to conduct comprehensive examination of regional agreements, including analysis of their effects on the multilateral trading system. Amidst these movements, Asia Pacific Economic Cooperation (APEC), based on the concept of "open regional cooperation," adopted an Action Agenda toward liberalization and facilitation of trade and investment at the APEC Osaka conference in November 1995, thus moving from the "vision" stage to the "action" stage.

Section 3. Increasing Exports and Imports in Japan

In 1995, Japan's trade surplus decreased for the third consecutive year on a yen basis and for the second

consecutive year on a dollar basis. The trend of a decreasing surplus has taken root (Figure 1-6; Table 1-7). The trade surplus has been decreasing largely as a result of continued strong growth in import volumes. Both exports and imports with East Asia are increasing (Figures 1-8 and 1-9). Not only trade in goods but trade in services is also increasing (Table 1-10). Japan's service trade deficit is the world's largest and continues to climb.

Section 4. Japan's Current Account Balance and Worldwide Capital Flows

A country's current account balance is always equivalent to the difference between savings and investment in the national account system (Figure 11), and Japan's current account balance reflects a shift in the difference between these amounts. In recent years in Japan, there has been excess savings by households and of social security funds, while central and local governments, as well as non-financial incorporated enterprises, have engaged in excess investment (Figure 1-12). Although excess savings by the private sector has been decreasing, excess investment by the public sector has been increasing, with the result that the excess savings within Japan's overall balance of savings and investment has been dwindling. Japan's current account surplus means a capital account deficit, with capital being channeled back to the world through a variety of routes (Figures 1-13 and 1-14).

Section 5. Exchange Rate Fluctuations and Japan's Economy

Looking at the yen-dollar exchange rate during 1995, from March to April, the yen rapidly appreciated, but then depreciated in the second half of the year (Figure 1-15). During 1995, the exchange rate underwent greater short-term shifts than during any time in the previous decade (Figure 1-16).

Chapter 2. Program of the Worldwide Division of Labor Structure Through Foreign Direct Investment (FDI) and Japan's Export-Import Structure

Section 1. Transformation of the World Economy and Overseas Business Activities

Major changes in the decade following the Plaza Accord include: (1) dramatic shifts in exchange rates; (2) expansion of worldwide trade and capital transfers (Figures 2-1 and 2-2); (3) the development of market mechanisms in developing countries and countries in transition; (4) striking technological innovation, commonly known as the "information and telecommunications revolution"; (5) further development of overseas business

activities through foreign direct investment (FDI) (Figure 2-3); and (5) variation and multi-layering in regional integration initiatives. As a result of increased overseas business activities through FDI, the world export-import structure has undergone considerable changes. Trade in and between Japan, East Asia, the NAFTA (North American Free Trade Agreement) countries, and the EU has increased greatly, and the presence of East Asia is growing (Figure 2-4). Furthermore, although there are differences among countries, the volume of intra-firm trade among regular trade in developed countries measured on a cross-border basis, is generally increasing (Figures 2-5 and 2-6). Looking at Japan's recent direct investment abroad by region, FDI in Asia and North America is increasing (Figure 2-7). In manufacturing industries, FDI in Asia during the second half of fiscal 1995 accounted for about half of total FDI (Figure 2-8).

Section 2. The Advance of International Division of Labor and Japan's Changing Export-Import Structure

Japan's export-import structure, as a result of the impact of these environmental changes mentioned above, has also been transformed. Manufactured imports have been steadily increasing (Figure 2-9). Regarding manufactured imports by region, the share of imports from East Asia is increasing. One of the reasons of the increase is the advance of the division of labor with East Asia, through overseas production expansion by Japanese manufacturing firms (Figures 2-10 and 2-11). Among manufactured imports, imports of capital goods and consumer goods such as machinery and transportation equipment parts have been rising (Figure 2-12). Behind this are (1) domestic companies purchase more machinery parts produced overseas (Figure 2-13); (2) Japanese consumers' change in preferences such as their willingness to purchase imported goods if a certain degree of quality is ensured; (3) the distribution industry's positive approach toward imported goods (Figure 2-14); (4) greater direct import of goods by Japanese consumers (Figure 2-15); (5) sales efforts of foreign affiliated companies in Japan (Figure 2-16). Concerning exports, the share of capital goods such as machinery parts has been increasing (Figure 2-17). One of the reasons is that overseas affiliates of Japanese companies, which transferred production bases abroad through FDI, have been importing machinery parts from Japan, resulting in the increase of Japanese exports (Figure 2-18). Also, Japanese exports are shifting towards high quality products (Figure 2-19). Amidst these changes in the export structure, the price elasticity of exports to the ASEAN 4 is declining. These changes in Japan's export-import structure reflect the deepening integration of the Japanese economy with the world economy, as

indicated by the trend of increasing imports and exports of machinery and transportation equipment parts. There are also changes in the export-import structures of NIE's (newly industrializing economies), such as the large change in the coefficient of specialization of Taiwan's trade with Japan in computers (Figure 2-20).

Section 3. Specific Conditions of Companies' Overseas Expansion through FDI and the Necessity of Structural Reform of the Japanese Economy

The impact of overseas business activity is varied among industries. Thus, the effects on trade of overseas production and import penetration ratios differ among industries. For example, both exports and imports of semiconductors have increased, resulting from the establishment of optimal production systems based on corporate strategies and the progress of international business cooperation. In addition, a complex division of labor structure that incorporates intra-product (horizontal), inter-product (vertical) and inter-process divisions of labor has been established between the United States, Japan, NIE's and ASEAN (Figure 2-21). It is said that behind the expansion of overseas production is the loss of Japan's attractiveness as an industrial location because of the high cost of production. With the expansion of overseas production there is also the possibility of a not so small impact on domestic business activities. There is also the possibility of adverse effects on domestic research and development bases because of the weakening links between production fields, here the share of overseas production is increasing, and research and development fields which remain in Japan (Figure 2-22).

Since 1991, unemployment in the domestic manufacturing industry has been rising, while local employment of overseas affiliates has been edging upward (Figure 2-23). In order to improve the attractiveness of Japan as an industrial location and activate the Japanese economy, it is important to conduct appropriate macro-economic management and to steadily work toward structural reform for rectifying Japan's high-cost structure.

Section 4. Recent Issues Concerning Expansion of Overseas Business Activity Through FDI

New issues are arising concerning the expansion of international business activities by Japanese companies through FDI that will require a future response. The after-tax profits of Japanese foreign manufacturing affiliates vary considerably by region (Figure 2-24). Looking at the after-tax profit ratios by region, overseas affiliates of U.S. companies exceed those of Japanese firms in almost every region (Figure 2-25). Furthermore, Japan's direct investment income received remains at low levels

compared to other developed countries (Figure 2-26). A survey indicates that more than half of all companies believe that income recovered from overseas affiliates in all regions, including Asia where profits are relatively high, is insufficient (Figure 2-27). Many companies point to local government regulations as well as problems with domestic systems as the cause (Figures 2-28 and 2-29). On the other hand, "re-investment," which is one way to distribute net profits of overseas affiliates, is increasing (Figure 2-30). In conjunction with the increase in FDI, the risks of FDI such as some cases of reluctant withdrawal are becoming noticeable (Figures 2-31 and 2-32). Looking at the distribution of FDI, although FDI by European and U.S. firms in the emerging markets such as Central and Eastern Europe, Central and South America, and India is intensifying, FDI in these regions by Japanese firms remains low (Table 2-33). As the international activities of companies through FDI expand, developed countries have felt strongly the need to strengthen international cooperation from the point of view of decreasing the risks of FDI, securing international business activities, and establishing dispute settlement mechanisms, and are working to decrease the risks of FDI through measures such as opening negotiations at the Organization for Economic Co-operation and Development (OECD) on Multilateral Agreements on Investment (MAI).

Chapter 3. Issues Related to the Development of the World and Japanese Overcoming Restrictions

Section 1. Developed Countries Undertake the Expansion of Economic Frontiers

Surveying the changes in the industrial structures of the major developed countries, the percentage of secondary industries is decreasing and that of tertiary industries is increasing, both in terms of employment and value added. This change in industrial structure has been accelerating in recent years in countries such as the United States, the United Kingdom and Germany (Figure 3-1). Looking at the structural changes in industry in the United States, the share of employment in manufacturing industries is decreasing while earnings levels have remained flat or decreased. However, in growing service industries such as the computer service industry, there are employment and earnings level expansion. Also, although employment at food and beverage industries is increasing, earnings levels are decreasing (Figure 3-2). In the United States, information and telecommunications related industries as well as the health care industry are experiencing strong growth. In Europe, pharmaceuticals and chemicals are showing conspicuous growth among the manufacturing industries and public utilities among service industries, as a result of deregulation

(Figure 3-3). In the recent growth of these new industries, innovation is playing a large role. In developed countries, there are various movements promoting innovation: research and development investment (Figure 3-4); vigorous venture business activities (Table 3-5) and the support of capital and human resources leading to these activities; inter-firm dynamism such as mergers and acquisitions and cooperative relationships (Table 3-6); development of infrastructure; and deregulation (Figure 3-7).

Section 2. Developing Countries Seek Sustained Growth

East Asia has received increased FDI, through the liberalization and facilitation of trade and investment as well as deregulation and is sustaining high growth (Figure 3-8). In countries and areas in East Asia, however, the proportion of FDI to gross fixed capital formation is not necessarily high, and in recent years the proportion has shown a downward trend. Nevertheless, over the long term, FDI is expected to play a major role in raising the technological levels of local economies and advancing industrial structures through transfer of superior managerial resources and technology transfers (Figures 3-9 and 3-10).

For the countries and areas of East Asia to achieve sustained growth, there are a number of issues to be considered. Concerning the macro-balance of savings and investment, all countries have experienced increases in domestic demand through active domestic consumption and investment (Figures 3-11 and 3-12). In the ASEAN countries, the ratio of savings to GDP is rising, but investment is rising even more (Figure 3-13). When investment exceeds savings, foreign capital becomes necessary, but if excessive dependency on foreign capital continues, risks may increase due to the increased debt burden (Figure 3-14). To finance vigorous investment demand through domestic savings to the greatest extent possible, it will be necessary to increase savings even further. With regards to the labor market, as a result of the rise in real wages (Table 3-15) due to a tightening labor demand, unit labor costs (ULC), which indicate the real cost of labor, have been rising in East Asia in recent years (Figure 3-16). On the other hand, examining Japan's period of high growth both wages and labor productivity rose, with the result that ULC remained stable (Figure 3-17). Behind this were the dynamic conversion of Japan's industrial structure and efforts by firms to improve productivity. Furthermore, there are numerous long-term issues that need to be overcome to achieve sustained growth, such as insufficient infrastructure (Figure 3-18), energy and environmental problems (Figure 3-19), development of human resources, devel-

opment of supporting industries (Figure 3-20), urban problems, and problems of population and food supply (Figure 3-21).

Section 3. Policy-Making from an International Perspective

As explained above, as the international division of labor progresses, the governments of both developed and developing countries are working to fully utilize the strength of their countries. On the other hand, in order to establish an environment encouraging development and application of various rules as international public goods, as well as sustained growth for developing countries, it is important for countries around the world to cooperate and collaborate with each other. For Japan, it is necessary to contribute to the strengthening of the international trade system, as well as to make further efforts in increasing imports in order to support the sustained growth of developing countries. Also, it is necessary for the Japanese economy to make full use of the progress of the world-wide international division of labor for its economic development. For this purpose, it will be necessary to implement structural reform in order to turn Japan into a center of international division of labor and make Japan attractive for investment by both domestic and foreign business, through reforming the high-cost domestic structure and invigorating innovation. As FDI grows, the world trading system and globalization of enterprises are now inseparable. Amidst these conditions, international measures that help lessen the risks of FDI are being pursued, and it is necessary for Japan to play an active role in this.

Japan: U.S. Security Adviser's PRC Visit Delays SDP Mission

OW0507120196 Tokyo KYODO in English
1111 GMT 5 Jul 96

[FBIS Transcribed Text] Tokyo, July 5 KYODO — The Social Democratic Party (SDP), one of the three ruling coalition parties, said Friday it will delay the start of a scheduled mission to China by three days to next Thursday at the request of China.

The postponement is believed to be due to U.S. National Security Adviser Anthony Lake's visit to China from this weekend through early next week, SDP sources said.

During its visit, the SDP mission is expected to ask China to urge North Korea to accept the proposed four-way talks among North and South Korea, the United States and China to discuss peace on the Korean peninsula.

The mission, headed by SDP Secretary General Kanju Sato, will also ask China to cease nuclear weapons tests.

Japan: Article Says Hashimoto-Kim Talks Focused on Security

OW0407043696 Tokyo EKONOMISUTO in Japanese
9 Jul 96 p 24

[Unattributed article]

[FBIS Translated Text] Prime Minister Ryutaro Hashimoto visited the ROK for the first time after he took office, and held a summit meeting with President Kim Yong-sam on the island of Cheju on 22 and 23 June. The two leaders confirmed their intention to cooperate to make the Soccer World Cup in 2002 a success. They succeeded, to a certain extent, in improving relations between Japan and the ROK, which had been "frigid" (according to a senior Foreign Ministry official) recently.

However, what attracted keen interest among the concerned parties on both sides is the extemporaneous tete-a-tete between the two leaders after dinner (on 22 June). The prevailing view is that "they certainly engaged in an in-depth exchange of views" (according to sources in the ROK and Japanese Governments) on an emergency situation on the Korean peninsula, where tension is building up rapidly.

According to an ROK Government source, the background for this unscheduled meeting is as follows: During the dinner which started at 1900, Hashimoto told Kim intriguingly: "I have something I want to talk about with you alone later." Kim thought it was strange, but since Hashimoto bided him twice, it is said that Kim agreed because he felt that "being the older person, I am obliged to accept."

The official explanation is "President Kim asked Prime Minister Hashimoto and he accepted." However, the truth seems to be it was the prime minister who asked the president to have a "tete-a-tete." Why was Hashimoto keen about having a discussion with only the interpreters present? The essence of this affair seems to lie in a remark inadvertently made by a source close to the prime minister immediately before the meeting: "In a word, this summit is all about the security issue."

Hashimoto is exceptionally keen about Japan's security and crisis management. In a speech commemorating the 40th founding anniversary of the Liberal Democratic Party (LDP) last November, Hashimoto pointed out that 50 years after the end of the war, the flaws and weaknesses of the Japanese social and state systems were beginning to show. He cited the problem of crisis management as the most serious of them all. He firmly

stated that "there is a need to review all institutional and legal problems, and to study the necessary concrete measures premised on a maximum conceivable crisis or emergency as soon as possible."

The prime minister's perception of crisis is focused on an "emergency in the Far East," an issue which had been shelved during the years of the 1955 political structure, under which the LDP contended with the Socialist Party (now the Social Democratic Party). This led to the strengthening of security cooperation between Japan and the United States during the Japan-U.S. summit meeting in April. A drastic review of the "Guidelines for Japan-U.S. Security Cooperation," which forms the basis of joint operational studies between the U.S. military and the Self-Defense Forces, is scheduled for this autumn. In line with this, closer relations between Japan and the ROK represent a "parallel component of Japan-U.S. relations." (according to a government source)

Within the government, a study on the legal issues involved in dealing with an emergency in the Far East has already begun at the prime minister's initiative. The concerned ministries and agencies are now studying the issues of protection of Japanese overseas; measures to deal with an influx of refugees; security for coastal and critical facilities, and antiterrorism measures; and rear support for the U.S. Armed Forces. "The central theme of the discussions is, of course, developments in North Korea (DPRK), which is in a critical condition due to the food shortage and other problems." (according to a government source) For sure, the recent Japan-ROK summit meeting corresponded closely with such recent activities relating to an emergency in the Far East.

Japan: Sakigake's Hatoyama Arrives in Seoul for Two-Day Visit

OW0407123096 Tokyo KYODO in English
1123 GMT 4 Jul 96

[FBIS Transcribed Text] Seoul, July 4 KYODO — Yukio Hatoyama, chief secretary of New Party Sakigake, arrived in Seoul Thursday evening for talks with South Korean Prime Minister Yi Su-song and Foreign Minister Kong No-myong.

"It's important for the two countries to have common understanding of history for future Japan-South Korean relations," he said before leaving for Seoul.

Japan's ruling coalition is made up of the Liberal Democratic Party (LDP), the Social Democratic Party and Hatoyama's Sakigake, an LDP splinter group.

On Friday, Hatoyama will hold talks with Kong and Yi on North Korea, the 2002 World Cup finals to be co-hosted by Japan and South Korea, and other issues.

He will also attend an international conference on the Korean peninsula.

Japan: Ministry Official Comments on Sanctions Against Burma

OW0407144096 Tokyo YOMIURI SHIMBUN
in Japanese 4 Jul 96 Morning Edition p 2

[FBIS Translated Text] The Burmese Government keeps trying to contain the democratic movement of the National League for Democracy (NLD). With regard to this, a senior official of the Ministry of Foreign Affairs said on 3 July: "What is important is to avoid worsening the current situation. Japan has connections with both (the Burmese Government and the NLD), and it has proven to be valuable." In this way, the official disclosed that Japan will not invoke any economic sanctions for the time being, and will continue trying to persuade the Burmese Government to take flexible measures.

It has been reported that the United States and Denmark may invoke sanctions against the Burmese Government. The official's remarks were made based on this report. Concerning the moves of the two countries, the official expressed his hope that they would exercise caution, stating that "the sanctions would be abrupt measures if the current situation does not worsen."

Japan: LDP's Kato Wants Indonesian Support for Quadrilateral Talks

OW0407003896 Tokyo ASAHI SHIMBUN
in Japanese 3 Jul 96 Morning Edition p 3

[By Nobuo Fukuda]

[FBIS Translated Text] Jakarta, 2 Jul — Policy Research Council Chairman Taku Yamasaki of the Liberal Democratic Party, who is on his visit to Indonesia, met with [Indonesian] Foreign Minister Ali Abdullah Alatas on 2 July. At the talks, Yamasaki called for Indonesia's support for holding the quadrilateral talks, in which the ROK, the DPRK (North Korea), the United States, and China will participate, at the Association of South-East Asian Nations [ASEAN] Regional Forum (ARF) and the ASEAN Post-Ministerial Conference, both scheduled to be held in Jakarta this month. In response, Alatas who will serve as chairman at the ARF indicated his view that the issue will be at least brought up [to the forum].

Japan: Ikeda To Visit Singapore, Vietnam After ASEAN Meeting

OW0407114596 Tokyo KYODO in English
1100 GMT 4 Jul 96

[FBIS Transcribed Text] Tokyo, July 4 KYODO — Foreign Minister Yukihiko Ikeda will visit Singapore

and Vietnam late this month after attending annual meetings of the Association of Southeast Asian Nations (ASEAN) in Indonesia, ministry officials said Thursday.

After his attendance at a meeting of the ASEAN regional forum on security and ASEAN's expanded foreign ministerial gathering July 23-25 in Jakarta, Ikeda will proceed to Singapore and Hanoi, the officials said.

In Hanoi, he will meet Vietnamese Communist Party chief Do Muoi to tell him Japan will continue to support Vietnam's economic reform efforts, they said.

Japan: Foreign Ministry Says ODA Needs More Follow-Up Steps

OW0507084496 Tokyo KYODO in English
0806 GMT 5 Jul 96

[FBIS Transcribed Text] Tokyo, July 5 KYODO — Japan should take further steps to follow up on its foreign aid programs in a bid to make more contributions to helping developing countries, the Foreign Ministry said Friday.

In an annual assessment on the nation's Official Development Assistance (ODA), the ministry said Tokyo's aid generally served its original purposes on the one hand, but noted there is room for improvement on the other.

It called for the effective use of personnel networks and expertise gained in the process of implementing ODA-funded projects overseas so as to follow up on aid programs and monitor their progress.

The report is based on a survey, conducted in fiscal 1994 ended March 31 last year, on a total of 121 ODA schemes in 41 countries, according to the ministry.

Tokyo Decides To Extend Aid for Bosnian Elections

OW0307142496 (Internet) Japanese Ministry of Foreign Affairs WWW in English 2 Jul 96

[Report released on 2 July by the Ministry of Foreign Affairs entitled: "Grant-in-Aid for Bosnian Elections in Support of Democratization"]

[FBIS Transcribed Text] 1. On July 2, the Government of Japan decided to extend financial contribution of \$2 million for the purchase of ballot papers, etc., to the Organization for Security and Co-operation in Europe (OSCE), with a view to assisting the holding of the elections in Bosnia and Herzegovina to be held on September 14, of which the OSCE is in charge of preparation and implementation.

2. These elections include the ones for the Parliament and the Presidential Council stipulated in the new Constitution that came into effect as the annex to the

Dayton Peace Accords reached in November 1995, as well as for the Parliaments of the Federation of Bosnia and Herzegovina and the Republika Srpska, the two entities that constitute the country. The elections, carried out for the first time after the Dayton Accords, are of extreme importance in consolidating the basis of the State of Bosnia and Herzegovina and peace in the region.

3. Recognizing that the problems of the former Yugoslavia are a regional conflict with global implications that concerns the establishment of a new international order in the post-Cold War era, Japan has actively participated in the process of peace implementation as a member of the steering board of the Peace Implementation Council (PIC). Japan decided to extend this assistance in consideration of the importance of these elections. With respect to Japan's personnel contribution, Japan has already dispatched two election experts to the OSCE Bosnia Mission from the middle of June till the end of September, and is now considering the dispatch of election monitors.

Japan: Foreign Minister Ikeda Returns From 4-Nation Trip

OW0407073096 Tokyo KYODO in English
0711 GMT 4 Jul 96

[FBIS Transcribed Text] Tokyo, July 4 KYODO — Foreign Minister Yukihiko Ikeda returned Thursday from a tour of four countries, including France, where he attended an annual summit of seven economic powers and Russia last week.

Ikeda also visited Bosnia-herzegovina and pledged to help the war-ravaged former Yugoslav Republic rebuild itself.

The 10-day trip also took him to Switzerland and Ukraine.

Japan: Kubo Says Foreign Exchange Moves Not Too Rapid

OW0507054196 Tokyo KYODO in English
0529 GMT 5 Jul 96

[FBIS Transcribed Text] Tokyo, July 5 KYODO — Finance Minister Wataru Kubo said Friday [5 July] he does not see current developments on the currency market as too rapid.

"If there are erratic movements, the government will closely monitor their impact," Kubo said at a news conference.

He was apparently trying to calm the market after the dollar rose to break through the 110 yen barrier Tuesday.

The dollar's advance on the Tokyo market followed the summit meeting of the Group of Seven (G-7) major industrialized countries in Lyons, France, at the end of June.

While avoiding making comments on specific yen-dollar exchange levels, Kubo said the G-7 leaders welcomed developments in the currency market, which had been the object of close cooperation among the seven nations since April last year.

In early April 1995, the dollar slipped below 80 yen, hitting a postwar global low against the yen.

At a meeting of their finance ministers and central bank governors later that month, the G-7 nations called for an "orderly reversal" of the dollar's excessive weakness against the yen and other major currencies.

Amid coordinated dollar-supporting market intervention following the meeting, the dollar again reached the 100-yen mark in late 1995.

Japan: Consumer Goods, Services Still More Expensive Than Abroad

*OW0507115496 Tokyo KYODO in English
1029 GMT 5 Jul 96*

[FBIS Transcribed Text] Tokyo, July 5 KYODO — Prices of consumer goods and services in Japan remain higher than those in the United States and Europe, although the yen's depreciation has somewhat narrowed the gap, according to a survey released Friday by the Trade Ministry.

Consumers in Japan must pay an average 1.46 times more for goods and services than people pay in the U.S. and 1.19 times more than European consumers, the Ministry of International Trade and Industry (MITI) said.

MITI surveyed prices of 100 goods and services in six Japanese, U.S. and European cities from January through early February, and compared them at the exchange rates then in effect.

The previous survey last year found that Japanese prices were 1.64 times higher than U.S. prices on average and 1.34 times higher than those in Europe.

According to the latest survey, clothing and energy are especially expensive in Japan, MITI said. Clothing in Japan costs 2.01 times more than in the U.S., while electricity and other energy costs are 1.73 times higher. Meanwhile, service costs in Japan are 1.71 times those of U.S. prices.

Compared with prices in Europe, energy and clothes are 1.46 and 1.44 times more expensive in Japan. Service costs are 1.40 times higher.

Cameras and home appliances are the only products priced higher in the U.S. than in Tokyo, where they are 0.99 and 0.88 time of the U.S. prices, respectively, MITI said.

In addition, cameras, appliances, automobiles and household goods are dearer in Europe than in Tokyo, where they are 0.66 to 0.83 time of European prices, MITI said.

MITI officials said the ministry will promote deregulation to lower prices in areas where gaps remain wide between Japan and abroad.

Japan: EPA Vice Minister Says Low Interest Policy Should Continue

*OW0507105096 Tokyo KYODO in English
0833 GMT 5 Jul 96*

[FBIS Transcribed Text] Tokyo, July 5 KYODO — A senior government economic planner said Friday Japan should maintain its policy of keeping interest rates low.

The Economic Planning Agency (EPA) agrees with the Bank of Japan's view of recent economic activity, believing more time is needed to confirm a full-scale economic recovery, Shimpei Nukaya, administrative EPA vice minister, told reporters.

Japan: Panel Urges Hashimoto To Reform Budget Structure

*OW0407100196 Tokyo KYODO in English
0931 GMT 4 Jul 96*

[FBIS Transcribed Text] Tokyo, July 4 KYODO — A government panel called on Prime Minister Ryutaro Hashimoto on Thursday to drastically reform the structure of the national budget as his administration will soon begin fiscal 1997 budget compilation amid severe fiscal constraint.

In a document submitted to Hashimoto, the administrative reform committee urged him to set a target for the alleviation of the state finances' heavy dependence on bond issuance.

The 75 trillion-yen fiscal 1996 budget comprises a record 21 trillion yen in bond issuance, including 12 trillion yen in deficit-covering bonds.

The panel asked for a drastic review and reduction of state expenses, calling for reasonable disbursement based on priorities.

The committee recommended that the public construction works budget be allocated mainly to important projects, without following the country's ossified system of making budgetary allocations among ministries and agencies.

The entity also urged Hashimoto to put forward a long-term blueprint for Japan's costly social welfare system, while further reducing the number of government employees.

The prime minister was also asked to expedite studying the transformation of the telecommunications giant Nippon Telegraph and Telephone Corp. into a company open to competition and to scrap a ban on holding companies, both of which were recommended last December by the panel's deregulation subcommittee.

Hashimoto's cabinet will start reviewing the state budget structure Friday [5 July] to set ceilings for budgetary requests by ministries and agencies for fiscal 1997 beginning next April.

Based on the ceilings, ministries and agencies will submit their budget requests at the end of August.

The premier hopes to review the public works budget and encourage promotion of science and technology in the budget compilation process.

Japan: Kajiyama Says Reviewing Budget Structure Difficult Task

OW0407054296 Tokyo KYODO in English
0419 GMT 4 Jul 96

[FBIS Transcribed Text] Tokyo, July 4 KYODO — Prime Minister Ryutaro Hashimoto's cabinet will have a difficult time changing Japan's national budget structure due to bureaucratic red tape, the top government spokesman said Thursday.

Referring to the cabinet's plan to kick off discussions Friday on budget structure reform and setting ceilings for fiscal 1997 budget requests by each ministry and agency, Chief Cabinet Secretary Seiroku Kajiyama said, "the budget ceilings cannot be changed easily."

"It is our task to find out how to resolve the issue among vested interests at the ministries and agencies," he told a press conference.

The cabinet will have to hold several meetings to discuss the issue, Kajiyama said, adding that all ministers are determined to tackle the matter.

Kajiyama reiterated that the government has yet to establish any definite ideas for a review of budgetary ceilings, and said the cabinet must expedite formulating an idea on fiscal 1997 budgetary ceilings by the end of July, before the August vacation season kicks off.

Hashimoto called Tuesday on leaders from the government and the three ruling parties to cooperate to allow Friday's unofficial cabinet meeting to discuss ways to achieve drastic improvements, without being dependent on bureaucrats' recommendations.

The premier hopes to review the public works budget and encourage promotion of science and technology in the budget compilation process.

He urged ministers to tackle the economic problems facing Japan, as drawing up the budget for fiscal 1997 beginning next April is expected to be difficult because of continuing lower tax revenues and the heavy dependence of state finances on bond issuance.

Japan: Cabinet Begins Reviewing Budget Allocations for FY97

OW0507081696 Tokyo KYODO in English
0630 GMT 5 Jul 96

[FBIS Transcribed Text] Tokyo, July 5 KYODO — An unofficial meeting of Prime Minister Ryutaro Hashimoto's cabinet agreed Friday that Japan's rigid state budget allocations must be thoroughly reviewed because of severe budgetary constraints.

The meeting marked the start of a round of deliberations on budget ceilings for fiscal 1997, beginning next April.

Hashimoto reportedly told participants, "I'd like you to consider what expenses we can boost and what we can cut, given the stringent financial situation."

Of the 20 members of Hashimoto's cabinet, 19 participated in the meeting, which lasted over two hours. Agriculture, Forestry and Fisheries Minister Ichizo Ohara was absent due to illness.

Chief Cabinet Secretary Seiroku Kajiyama said that many participants expressed the opinion that a serious effort needs to be made to break down the barriers between ministries and agencies and that unless this is done, Japan's problems will not be solved.

Kajiyama said Hashimoto called on ministers to deal with the issue "with strong determination, taking into consideration the relative priority and importance of individual budget allocations."

The participants said the session failed to produce concrete ideas, however, and they decided to convene similar meetings next Tuesday and Friday so that the cabinet can set budget ceilings for each ministry and agency by the end of July.

Based on the ceilings, ministries and agencies will submit their spending requests to the Finance Ministry at the end of August for the budget for fiscal 1997.

After the meeting Hashimoto told reporters, "nobody thinks it (the current ceiling system) is good."

The prime minister heard from his cabinet about ways to cut expenditures by reviewing the unified criteria currently imposed on spending requests from government ministries and agencies.

The ministers freely discussed the information, distribution, finance and various other sectors. Foreign Minister Yukihiko Ikeda told a separate press conference.

There were also debates on the defense budget and Japan's official development assistance to developing countries, Ikeda said.

The foreign minister said he told his colleagues that deregulation is important not only for the domestic economy but also the international economy and that foreign countries have called on Tokyo for more access to the Japanese market.

Economic Planning Agency chief Shusei Tanaka stressed the need to reform the Japanese economic structure and promote deregulation.

Finance Minister Wataru Kubo, who told the session of Japan's severe state finances, will submit an economic outlook and concrete ideas on budget ceilings later this month, Kajiyama said.

Kubo, in his press conference, ruled out scrapping the budget ceiling system itself, adding that debates are required over the content of ceilings.

The finance minister said a number of the ministers at the session called for the expansion of the 300 billion yen special allocation in the fiscal 1995 and 1996 budgets for public works projects involving science, technology and telecommunications.

The gathering aimed at allocating more appropriations under the fiscal budget to projects that foster new industries and promote structural reforms in the economy, according to government officials.

The present spending formula has been criticized as leading to rigidity in the allocation of budgetary spending by giving priority to the traditional public investment areas of construction and civil engineering.

In the budget for fiscal 1997, Hashimoto is seeking to appropriate more funds for science and technology, telecommunications and other sectors to promote Japan's economic structural reforms, the officials said.

Reflecting Japan's difficult fiscal situation, the Finance Ministry is cautious about introducing a new spending quota to promote structural reforms.

Japan's outstanding balance of government bonds is estimated to reach as much as 241 trillion yen at the end of next March, accounting for nearly 50 percent of gross domestic product.

Japan: MOF Official Sees No Need for Supplementary Budget

OWD407095196 Tokyo KYODO in English
0912 GMT 4 Jul 96

[FBIS Transcribed Text] Tokyo, July 4 KYODO — A senior Finance Ministry official Thursday came out against the idea of compiling a fiscal 1996 supplementary budget this fall to ensure Japan's economic recovery.

"Given the current economic situation as well as Japan's tight fiscal condition, there is no need for the government to compile a supplementary budget," vice Finance Minister Tadaaki Ogawa said.

There has been argument within the ruling coalition and business circles that the government should work out a supplementary budget this fall, since the economy-boosting effects from last year's record 14.2 trillion yen pump-priming package are expected to wither in the second half of fiscal 1996 that ends next March.

Ogawa said Japan's economy is now moving in a favorable direction, while its fiscal condition is critical.

According to government data, Japan's real gross domestic product (GDP) grew at an annualized rate of 12.7 percent in the January-March quarter.

The balance of outstanding government bonds, meanwhile, is expected to reach as much as 240 trillion yen by the end of next March, accounting for nearly 50 percent of the nation's GDP.

Japan: Talks To Unite 10 Osaka Credit Unions Begin

OWD507120796 Tokyo KYODO in English
1134 GMT 5 Jul 96

[FBIS Transcribed Text] Osaka, July 5 KYODO — The Finance Ministry and the Bank of Japan (BOJ) have started negotiations with the Osaka prefectural government on uniting 10 independent credit unions in the prefecture into a new financial institution, sources familiar with the talks said Friday.

The plan is aimed at stabilizing the regional financial system by reorganizing weak credit unions, the sources said.

The ministry and the BOJ envisage the 10 unions transferring deposits and loans to the planned institution after covering losses with funds they will contribute under the scheme.

Problem loans held by the unions will be taken over by a Japanese version of the U.S. Resolution Trust Corp.

(RTC), which is expected to be set up in September, the sources said.

The Osaka prefectural government is expected to put up 20 billion to 40 billion yen for investment in the new institution and partial financing of the Japanese RTC.

If the scheme materializes, the new institution will have deposits worth 1 trillion yen, equal to those of medium-scale regional banks, the sources said.

Negotiators will work out a concrete plan by the end of this year after deciding whether the new institution should remain a credit union or become an ordinary bank subject to fewer restrictions, the sources said.

There are 23 credit unions in Osaka Prefecture and the 10 are not affiliated with banks or other bigger organizations.

Japan: Sumitomo Listed as Worst Bank in Jusen Scandal

962A0069A Tokyo SHUKAN ASAHI in Japanese
29 Mar 96 pp 30-33

[Article by Junichiro Daikci and Taishi Kawabatake, staff writers, SHUKAN ASAHI: "Jusen: Ranking of Worst Major Banks"]

[FBIS Translated Text] The worst banks? — Banks' responsibility and share of the debt load for jusen loans examined

With their "arranged" loans and schemes to conceal nonperforming assets, Japan's banks are said to be the authors of the jusen problem. Will they have fulfilled their responsibility as parent banks by shouldering only their primary (first-phase) losses? Having created a situation which calls for 600 billion yen in taxpayers' money, Japan's banks were ranked in terms of their culpability by this magazine and four critics and journalists. None of the banks received a passing score.

There are three yardsticks for measuring a bank's responsibility toward housing loan companies, or "jusen": the total amount of its loans, or *kashizuke*, to the jusen; the amount of loans the bank has "arranged" for the jusen to make to others; and the bank's involvement in the company's management by such means as providing executives on loan.

Kashizuke not only include loans by parent banks to affiliated jusen but to nonaffiliated jusen as well. Here they also include third-party loans for speculative land deals.

"Arranged" loans are often typically high-risk jusen loans to real estate firms and other customers who were

referred to the company by a bank without screening of the bank. Lacking strong business networks, jusen companies found these bank referrals an important way of supporting their operations. Over 90 percent of these loans, however, ended up as nonperforming assets.

The bank rankings in the table below are based on these loan figures in combination with the anticipated losses each bank will shoulder with the liquidation of the jusen companies. The passing score is 60 out of a total of 100 points.

Topping the list as the worst-ranking bank is Sumitomo Bank, which has the highest amount of "arranged" loans. Second is the Industrial Bank of Japan (IBJ), which has the highest amount of loans to jusen companies.

According to one of the raters, commentator and critic Makoto Sataka, "Every one of the banks gets a failing grade. Sumitomo, IBJ, and Fuji Bank don't even qualify for a makeup exam. They were failed on the spot."

Atsushi Yamada, a member of ASAHI SHIMBUN's editorial board, says, "The two worst-ranking banks stand in sharp contrast to each other on the scoring items. The amount of Sumitomo's jusen loans is relatively small; nor does it act as though it feels its responsibility (or share of the debt load) is all that much. But, actually, Sumitomo is a representative example of the kind of bank that has used jusen companies as trash bins. To get housing loans, Sumitomo would look through its registry and, finding a loan customer to refer, would have the jusen company convert or refinance the loan. These arranged loans were responsible for major jusen losses. Not to bear even one-fourth of the burden for these losses is quite unreasonable."

Comparing the amount of arranged loans to a bank's anticipated share of the loss load, one finds that, while large city banks like Sumitomo, Mitsubishi, Dai-ichi Kangyo, and Fuji were responsible for huge jusen losses, they have cleverly avoided having to bear such large losses themselves.

The jusen loan figures for these four banks is low because they were quick to see the jusen crisis coming and withdrew their money or stopped lending to them. This can be seen as a wise move for the banks from their own management perspective, but it was also a very cunning move given the degree to which they had used the jusen.

Just how had the jusen been used? Akinori Yamashita, formerly the manager of Sumitomo's Aobadai branch bank (Yamashita is currently appealing a court decision which found him guilty of violating a bank financing law) explains:

"The two companies Sumitomo often used are Jyuso Inc. and Chigin Seicho Housing Loan Company. The reason for using these two is that if it had gone to its *keiretsu*-affiliate, the Housing Loan Service Co., instead, it wouldn't have gotten a commission, the philosophy being offspring should be raised and nurtured by their parent companies." The advantage to using a *jusen*, besides this commission, was that Sumitomo was able to take the lead in projects that offered the bank a chance to profit without having to put out its own money. For example, the bank would have influential real estate backers step in and get loans from the *jusen* and then deposit the money in an account at Sumitomo, which would then take out its fee, or it would have travelers checks bought and immediately sold. Landowners, in appreciation for the generous price they were offered, would also open cooperative deposit accounts."

In *Confessions of a Sumitomo Bank Branch Manager* (Appuru Publishers), Yamashita writes about such "co-operative" deposits. "How can a bank earn money from cooperative deposits after using a nonbank?" he asks. "First, the bank calculates the commission it would have received as the middleman and comes up with an appropriate figure to be deposited at the bank. If the bank wants to earn 10 million yen given the current interest rate," he writes, "then it will have 3 billion yen deposited in a one-month demand account."

In the banking industry, this way of earning money by pulling in *jusen* and nonbanks is called the "Sumitomo method." According to Yamashita, "It was also Sumitomo that thought up the idea of cooperative deposits, so its earnings were by far the highest in the industry. Fuji Bank, the second highest earner, looked into Sumitomo's secret and adopted its method. Later, everyone was racing to catch up and take the lead, running after stocks and real estate-related loans. Among the city banks, the worst culprits were Sumitomo, Fuji, Sanwa, and Mitsubishi, in that order."

"The figures that appear don't tell the whole story," he adds. "I know of a case where arranged loans amounted to 20 billion yen although public documents only show 5 billion yen. In reality, Sumitomo's arranged loans are twice what is otherwise indicated."

Using Grandchild Companies To Hide Nonperforming Assets

As frightening as this tale is, it's not limited to Sumitomo. There seem to be indications of a coverup scheme in the Industrial Bank of Japan's case as well. Japan Housing Loan, Inc., an affiliate of IBJ, one of its parent banks, set up over 20 "grandchild" companies, having them offer a "high price" to purchase the collateral put up by large-lot borrowers and thus shrink the amount

of its nonperforming assets. One of the reasons these grandchild companies were set up was that this scheme would avoid detection through consolidated accounting. With IBJ's president on loan to it, Koei Corporation was also used for such "dodges." In Koei's case alone, the pay-back scheme for nonperforming assets amounted to some 60 billion yen.

Sataka says, "As one of Japan's leading financial institutions, IBJ was in a position to carry the other banks along, but it abandoned its role. It doesn't seem to have learned a thing from the (Nui) Onoe affair. Listening to IBJ president Hiroshi Kurosawa's testimony during the Diet hearings, one doesn't get the impression he feels at all responsible for what's happened."

Economic journalist Seiichi Takarabe says: "There was a strong perception on IBJ's part that *jusen* were the fall-guy of financial institutions, so it didn't matter what was done. They were like the financial institutions affiliated with the agricultural cooperatives in the sense that neither knew too much about real estate. Rapid lending during the bubble period left them with a mountain of nonperforming assets. The Long-Term Credit Bank of Japan was guilty of the same crime. They're not what one would call financial pros."

[ASAHI's editorial board member Atsushi] Yamada notes: "There were also loans connected to organized crime groups. Whatever else you say, a lot of money is involved. Even though figures for the banks' anticipated losses are high, considering that they were the ones who sowed the enormous seeds for the *jusens'* collapse, they are shouldering a relatively small share of their total responsibility."

Fuji Bank, the third worst bank, was formerly headed by Toru Hashimoto, chairman of the Federation of Bankers Associations of Japan. Hashimoto is the one who resisted Finance Minister Wataru Kubo and top officials of the ministry when they informally sought his resignation, saying "whether I resign or not is a problem for the managers [of Fuji Bank] to determine."

Rotating with Mitsubishi Bank and Dai-ichi Kangyo Bank, Fuji, too, loaned its president out to the Housing Loan Service Co., and according to Yamashita, ranks just below Sumitomo as the second-worst bank. It was Fuji's branch bank officer who played a leading role in the incident involving Prime Minister Ryutaro Hashimoto's former financial secretary, who brokered an illegal loan.

According to some critics, "Fuji Bank has a lot of scandals. Behind one cockroach, it's said, there are a hundred others not far behind."

The Long-Term Credit Bank of Japan (LTCB) is in a situation similar to IBJ's. A large share of its loans is to housing-loan companies. LTCB was in the background, behind the collapse of Tokyo Kyowa Credit Association and Anzen Credit Bank. "A relatively high percentage of its loans were to *jusen*," says Yamada. "We ought to question the role and responsibility of management in being drawn into such risky loans."

Sanwa Bank, Nippon Housing Loan Co.'s main bank, had also actively participated in the affairs of [the now failed] Kizu Credit Union, which is under investigation. According to a well-known story, when the issue of Nippon Housing Loan's restructuring came up in 1993, despite a poor prognosis at the time, the Ministry of Finance went ahead to push through its own restructuring plan. [Sanwa], however, immediately began withdrawing loan funds, bringing upon itself criticism and scorn from those concerned.

"The trust banks were even worst than IBJ or LTCB," says Takarabe. "The way the system worked, trust banks, being able to provide real estate services, would refer property to the housing loan companies. Since every referral meant more loans and commissions, the volume of arranged loans ballooned."

Only Natural To Share Debt Burden From Arranged Loans

When speaking of arranged loans of poor or dubious quality, trust banks deserve special mention. Jyuso Inc., which was founded by seven trust banks, approved an extraordinary number of loans backed by undevelopable land and otherwise worthless collateral. Employees on loan from parent trust banks would approve loans at the behest of their parent companies, without the latter having done a credit check.

"On loan from the trust banks, executives were openly wine and dine, and, if it were left to their discretion, would give their approval no matter how unreasonable the request," says a Jyuso executive.

According to Takarabe, "Jyuso had the Taiyo Group, a large-lot loan customer, offer a high price to buy back real estate that had turned into a nonperforming asset. By manipulating its books, the company hid its nonperforming assets." In other words, Jyuso was involved in a so-called buy-back (*tobashi*) scheme.

"Trust banks turned themselves into real estate trading companies," says Yamada, "and are among the ringleaders who fanned the flames of the bubble. The largest share of the responsibility among the trust banks falls on Sumitomo Trust & Banking and Mitsui Trust & Banking, each with their large volume of arranged loans, and on Mitsubishi Trust & Banking with its large volume of

jusen loans. Executives from both Sumitomo and Mitsubishi took turns heading Jyuso."

Mitsui Trust & Banking also had problems. As Sataka points out, "during the latter part of the 1980's when Ken Nakajima took over as president, Mitsui's employees were under orders to get the bank out of its habitual third-place and they ran into trouble lending large amounts of money to speculators and the Azabu Group."

If these represent the worst of the worst-ranking banks, then those that were rated as middling, though still not good enough to get passing scores, were the banks with relatively few *jusen* loans and few arranged loans.

Asahi Bank is expected to waive the entire amount of its [outstanding *jusen*] loan claims. This is because it has only made loans, as the parent bank, to affiliated *jusen*. Aware of this, Yamada gave Asahi a passing score. Yamashita, on the other hand, gave the bank the less generous score of 20.

"[Asahi's predecessor] the old Saitama Bank," says Yamashita, referring to a case he had been involved with, "had tried to buy out the Janome [Sewing] Machine Co. and had *jusen* companies make loans to a group of speculators. Including nonbanks, the loans came to as much as 150 billion yen. Since it found other lenders to take over its loan claims, the figures don't show up [in its books]. If you put that in the mix, it's hard to give it a better score."

A survey of loan trends shows trust banks that have been repaid several tens of billions of yen from *jusen* over the past three years. It also shows that some banks, foreseeing the coming crisis, have been quick to sell off their *jusen* stock. Without carefully checking the facts, one can't necessarily discount the possibility that banks aren't using hidden tricks of some sort.

If, after that sort of check has been completed, a bank is to be given a passing grade, then one of the conditions should probably be that it shoulders the total debt load for its *jusen* loans and that portion of arranged loans that are uncollectible.

Says Sataka, "I have consistently said that the banks are the principal culprits behind the *jusen* mess. They have made loans to those they shouldn't have. The problem with those banks is their ability to properly screen potential borrowers. It was because of their laxness that the *jusen* problem came about."

If founding banks were to assume their full responsibility as *founding banks*, then IBJ's debt burden would exceed 1 trillion yen; LTCB's roughly 900 billion yen; and Sanwa's about 500 billion yen. In the case of trust

banks, however, the debt burden would generally be reduced.

In any case, banks should shoulder whatever losses they have caused the *jusen*, including losses from arranged loans. Needless to say, if every bank acted in such a way as to get a passing score, it would not be necessary to use taxpayers' money in disposing of nonperforming *jusen* assets.

Worst Ranking Banks

	Amount of Arranged Loans	Amount of Bank Loans to <i>Jusen</i>	Anticipated Share of Debt Load
(1) Sumitomo Bank	2688	896	565
(2) The Industrial Bank of Japan (IBJ)	207	6658	4915
(3) Fuyo Bank	1065	667	585
(4) Long-Term Credit Bank of Japan (LCBJ)	204	4677	3231
(5) Sanwa Bank	421	3050	2787
(6) Sumitomo Trust & Banking	1574	5006	3253
(6) Mizui Trust & Banking	1385	3342	2688
(8) Mitsubishi Bank	1694	732	535
(9) Mitsubishi Trust & Banking	531	5051	3214
(10) Yasuda Trust & Banking	822	3574	2330
(11) Dai-ichi Kangyo Bank	1299	580	535
(12) Sakura Bank	1349	3091	3026
(12) Nippon Credit Bank	74	3454	2371

	Amount of Arranged Loans	Amount of Bank Loans to <i>Jusen</i>	Anticipated Share of Debt Load
(14) Toyo Trust & Banking	913	2330	2016
(15) Tokai Bank	899	793	608
(16) Chuo Trust & Banking	531	1142	895
(17) Aomori Bank	280	947	947
(18) Nippon Trust Bank	906	548	526

(The amount of loans to the seven *jusen* are estimates as of 30 September 1995. Shares of debt load have been provided by Daiwa Research Institute. Unit: 100 million yen)

In these ratings, 100 represents a perfect score; 60 and above are passing scores. To obtain each bank's total score, scores from the 5 raters have been averaged and then rounded off.

Japan: Life Insurers Seek MOF Approval To Form Nonlife Units

OW0407143296 Tokyo KYODO in English
1354 GMT 4 Jul 96

[FBIS Transcribed Text] Tokyo, July 4 KYODO — Major Japanese life insurance companies applied for Ministry of Finance (MOF) approval Thursday to set up nonlife insurance subsidiaries to offer nonlife insurance services starting from October as originally planned, company officials said.

The Finance Ministry is expected to give the go-ahead by the end of this month.

Life insurers are entering the nonlife insurance field under the new insurance law that took effect April 1, which also allows nonlife insurers to branch out into the life insurance area through subsidiaries.

Currently, six major life insurers such as Nippon Life Insurance Co., Dai-ichi Mutual Life Insurance Co. and Meiji Mutual Life Insurance Co. are planning to enter the nonlife insurance market through subsidiaries.

Meanwhile, 11 nonlife insurers such as Tokio Marine and Fire Insurance Co. and Mitsui Marine and Fire Insurance Co. plan to move into the life insurance market through subsidiaries.

Since Japan and the United States remain far apart in bilateral talks on the insurance sector, life insurance

companies had put off applying for ministry approval to enter the nonlife insurance market.

At the center of the row is whether big Japanese life and nonlife insurers can offer "third-sector" insurance policies via subsidiaries.

The U.S. maintains that access should not be permitted, saying Japan committed itself to avoiding any radical change in the third sector before it liberalizes the primary life and nonlife insurance markets under the 1994 Japan-U.S. insurance agreement.

The third sector involves insurance policies for illness, accidents and nursing care that fall between life and nonlife insurance products. Foreign insurers in Japan are strong in that segment of the market.

The two countries agreed to seek to resolve the dispute by the end of this month when Prime Minister Ryutaro Hashimoto met with U.S. President Bill Clinton just before the summit of the group of seven industrialized nations in Lyons, France, late last month.

Japan: Automakers' Battle in Southeast Asia Viewed

OWD407042496 Tokyo SHUKAN DAIYAMONDO in Japanese 1 Jun 96 pp 94-97

[Article by SHUKAN DAIYAMONDO Editorial Board member Takahiro Takeda: "Japanese, European, U.S., and South Korean Auto Manufacturers Struggle Fiercely for Share in Southeast Asian Auto Market"]

[FBIS Translated Text] Honda Motor Co., Ltd. has launched its new model "City" — which it plans to introduce into the entire Asian market, beginning with Thailand — 23 April in Bangkok, the capital of Thailand.

Most workers of Japanese auto manufacturers stationed in Thailand, however, felt relieved to hear the City's price because its most basic model was priced at 398,000 baht, only slightly below 400,000 baht.

"Our New Model Is Cheaper"

In Thailand, 400,000 baht is said to be the upper limit for a car that the recently emerging middle class can afford. The main price range of one-ton pickup trucks, which make up more than half of the demand for automobiles in Thailand, is between 300,000 and 400,000 baht. The City had attracted so much attention that Honda's employees had been repeatedly inquired about its price before it went on sale.

The day after Honda's introduction of its City, Cikuma Sato, president of Toyota Motor Thailand, made a comment about the City in a local newspaper: "[The

City] is not adequately priced for the consumer. The price of our AFC [Affordable Family Car] will be lower than it." The AFC is a passenger car targeted at Asia which Toyota plans to introduce into the Thai market at the end of this year.

It is unlikely that one would make such a frank remark in Japan. The fact that this taboo was violated reveals how hot the battle over the Thai and other Southeast Asian markets is.

The world's three major markets — Japan, Europe, and the United States — have already matured. So carmakers in them are destined for a zero-sum game in which each company fights for each other's share. On the other hand, the market scale of 13 principal Asian nations excluding Japan is 5.75 million units in 1995, according to the forecast of Nissay Research Institute. The figure is expected to increase 1.6 times by 2000, to 9.36 million vehicles.

Among the growing Asian markets, the ASEAN (Association of South-East Asian Nations) region has an environment that makes local production easy: it has relatively high national income compared to other regions such as China and India, and it has a relatively developed auto parts industry, which is indispensable for the auto industry.

Each firm, according to Honda Motor President Nobuhiko Kawamoto, "has one of its feet in the domestic market. They want the other foot to be in ASEAN since the (matured) markets of Europe and the United States are not profitable." A manufacturer cannot survive the coming big competition if it does not acquire a growing market, expand its scale, and make the expenses lower. The carmakers of Japan, Europe, and the United States, whose domestic markets have matured, are in the same situation.

Different from the Japanese, European, and U.S. markets, the South Korean market is still growing. Yet, after a series of increase in production capacity, it will have production capacity of 5 million vehicles in 2000, which is twice its domestic demand. It will be of urgent necessity for South Korean auto manufacturers to find a market for export. After all, they will aim at Southeast Asia.

Among the Southeast Asian nations, Thailand has the largest market scale. Its demand for automobiles last year was 570,000 units: this is the first time in the Southeast Asian markets that the figure exceeded 500,000.

In the 1970s when the Thai government implemented the domestic production regulation on the auto industry,

the Big Three and European auto manufacturers withdrew from the Thai market. Meanwhile, Japanese firms remained and kept making cars in Thailand. That is why Japanese carmakers have held an overwhelming share of the Thai market. However, European and U.S. carmakers have started to reenter the market in the 1990s, and South Korean manufacturers too have entered the market. Especially, the Big Three are employing the same method that they have used to penetrate into the Japanese market — that is, they are trying to gain a market by using their political influence to the full.

In Thailand as well as in developing countries, utility cars receive better treatment in terms of tax than passenger cars. Tariffs on finished cars and imported parts are set lower for utility cars and higher for passenger cars.

Cherokee, a jeep-type vehicle that is Chrysler Corp.'s main product, would have been treated as a passenger car. But, since it would result in higher duties, Chrysler worked on the Thai government when it reentered the market in 1994. As a result, a new category has been established to which a tax rate between that of utility and passenger cars is applied.

Also, while General Motors Corp. plans to build its new plant in Thailand or the Philippines, it is requesting both governments to make an exception with regard to domestic production ratio regulations and tax rates.

While Japanese carmakers think "it is impudent enough for someone who once withdrew [from Southeast Asia]" to take such measures, nothing can be done about Japanese auto makers' lack of political influence.

Catch-up of Supply With Demand Leads to Discounted Prices

Japanese carmakers as well as new entrants to the market start to increase their production capacity with an eye to the market expansion in the future. If production scale is expanded, costs can be reduced by the mass-production effect, and more competitiveness can be gained.

According to the total of published projects, the overall production capacity of Thailand will increase by leaps and bounds in 1998-99 to more than 1 million units — a little less than twice the number of last year's production. The scale of the domestic market in 2000 is forecast to be approximately 800,000 vehicles, and there is no doubt that the market will be oversupplied. Although each auto company in Thailand is considering exporting, its sales center on the domestic market. "The amount of production investment is decided first, and then a target of domestic sales is set according to the scale of the investment. That target has to be reached

at any cost," according to Genshin Takemoto, vice president of Toyota Motor Thailand. Since the sales target is not determined on the basis of demand, the auto makers will naturally engage themselves in a price war.

Competition between Japanese carmakers' compact cars (main price range 500,000-600,000 baht) since last year clearly shows what the recent price war is like.

While Honda put its new Civic on the Thai market last October, it kept its price almost the same, breaking the custom of raising the price by about 40,000 baht every time a new model comes out. It is virtually a discount in Thailand where prices increase at a rate of several percent per year.

On the other hand, Toyota, which introduced its new Corolla in the market this February, went so far as to set its price 40,000 to 50,000 baht lower than the cars in the same class.

Naturally, other carmakers cannot help doing something. In order to compete with other companies, Nissan Motor Co., Ltd. and Mitsubishi Motors Corporation employed a strategy in which a discount is offered at a dealer or gold is given for the purchases of the Sunny and the Lancer which are the competing models. In April, Mazda Motor Corporation also launched a similar campaign for its 323 (Japanese name Familia). The price war appears as if the competition at home has been brought into Thailand.

Sales competition is becoming fierce with regard to not only passenger cars but also one-ton pickup trucks.

Until the first half of the last year, demand was larger than supply, and auto makers had to deal with the situation by allocating the supply among dealers demanding more pickups. However, as the result of each firm working on increasing production, the supply of pickups has caught up with the demand in the latter half of last year. Even a discount of 5,000 baht — although the amount is small compared to that for passenger cars — is now being offered. An executive of a local company of a Japanese carmaker tells himself, "Because [the Thai market] is a growing market, if cars are sold in quantity, selling them at a discount is still profitable due to the mass-production effect. Anyway, it is important to sell in quantity."

Indonesian National Car Not a Threat

There has been a tendency to undersell in the Indonesian market — the second biggest market in Southeast Asia behind the Thai market — and the sudden announcement of Indonesia's national car project jolted the market.

In the national car project, those companies which meet the following requirements will be exempt from import duties on components: 100 percent local capital, the ratio of domestic production 20 percent in the first year, 40 percent in the second year, and 60 percent in the third year. Timor Putra, a firm managed by President Suharto's third son, has been chosen as the first company to be granted the privilege, and it plans to produce and sell a 1500cc-class passenger car this fall in cooperation with Kia Motor of South Korea. A Japanese auto maker too seems to have unofficially conveyed its intentions to plan a national car, but its attempt ended in failure before the political influence of Kia Motor which has made ties with the president's family.

The national car is said to be priced at half the amount of those cars in the same category. Because of this, people are starting to refrain from buying new cars. Market forecast for 1996 at the beginning of the year has been revised from 380,000 units to 320,000. The price competition has become all the more fierce, and there is a case in which dealers have given up since it is not profitable.

However, Japanese carmakers think the consumer's refraining from purchasing cars other than passenger cars is a temporary phenomenon until the national car comes out. With regard to the passenger cars that will be competing with the national car, an executive of a major auto manufacturer thinks, "If Timor can raise the domestic production ratio as it has promised, then we can make use of its auto parts makers. In that way we can raise our domestic production ratio too. If a car with a domestic production ratio of 60 percent can be produced, import duties will be zero even if it is not a national car, and we can maintain our competitive edge."

That is why Japanese auto makers' plans for increasing production are carried out as planned. Within the year, Nissan will start local production of its Terrano, and Toyota will begin the construction of its second plant and start operating it in 1998 mainly as a factory for producing passenger cars. In addition, Honda's City and Toyota's AFC will be on the market sometime during 1997-98. The battle in the Indonesian market is certain to become more heated.

The price wars started in Thailand and Indonesia are only the beginning of the great automobile battle in Asia. When world carmakers start to operate in earnest in other regions of Asia, such as China and India, a price war will also take place there.

There are already signs of it in Vietnam. Eleven firms have already started or plan to do business there. When all production gets on the track, Vietnam will have

a production capacity of 130,000 units. Because the market scale at present is only 20,000, it is evident that there will be a price war.

Establishing a foothold in the Southeast Asian market will enable a company to penetrate China, a growing market that is comparable to the Southeast Asian market. Honda's joint venture with China supplies camshafts and six other auto parts for its City.

China has come out with a policy to give priority to the development of its auto parts industry. Getting results in the area of auto parts production would lead to an approval of making finished cars. But, just making auto parts is meaningless when there are no cars that would use them. In that respect, the recent parts procurement of Honda — which secures production volume and involves export — is an ingenious way of getting results.

Southeast Asia is a market that auto manufacturers have to have by all means in order to survive in the 21st century. An all-out struggle for a share in the market has just begun.

Japan: H-2 Rocket To Launch Satellites for Hughes Electronics

OW0307123496 Tokyo KYODO in English
1156 GMT 3 Jul 96

[FBIS Transcribed Text] Tokyo, July 3 KYODO — A Japanese rocket consortium has agreed with a unit of Hughes Electronics Corp. To launch more than 10 satellites with a remodeled version of Japan's H-2 rocket, space industry sources said Wednesday.

A formal contract will be signed next month between rocket systems Corp. (RSC) and Hughes Space and Communications International (HSCI), the sources said.

It will be the first such launching contract for a Japanese rocket for foreign satellites and the first commercial launching contract from a foreign concern for the H-2 rocket since it made its first successful flight in February 1994.

The latest deal will mark Japan's entry into the highly competitive world commercial satellite launch business, a market where U.S., European, Russian and Chinese companies compete with each other for about 30 launches a year.

Under the deal, RSC will use a remodeled version of the H-2 rocket, called the H-2a rocket, for launching more than 10 satellites made by Hughes between 2000 and 2004 from Tanegashima Space Center on the southwestern Japanese island of Tanegashima, the sources said.

The sources did not disclose the specific value of the deal, but it is estimated at more than 100 billion yen given the launch of a 2-ton stationary satellite costs about 8 billion yen.

RSC involves 73 Japanese aerospace industry firms, nonlife insurance companies and banks. Hughes Electronics Corp. is the world's largest satellite maker and a wholly owned subsidiary of General Motors Corp.

The H-2 rocket is the first major space vehicle developed entirely in Japan and Japan's first rocket capable of launching a 2-ton satellite into a stationary orbit. So far, three H-2 rockets have been successfully launched.

The National Space Development Agency, Japan's main space agency charged with development of the H-2 rocket, plans to remodel the H-2 rocket so as to make it capable of launching a satellite of up to 4 tons at a smaller cost by the year 2000.

The H-2 rocket costs about 19 billion yen, but the agency expects to cut the cost to 8.5 billion yen for the H-2a rocket.

The agency also aims to build a new launch pad for the H-2a rocket.

Japan: Underwater Defense Tech Research Group Formed

OW0207044296 Tokyo BOEI GIJUTSU JANARU in Japanese Jun 96 p 62

[Unattributed notice, originally titled "Notice of Inauguration of the 'Underwater Defense Technology Research Subcommittee'"]

[FBIS Translated Text] The Defense Technology Foundation (DTF) is establishing the Underwater Defense Technology Research Subcommittee and plans to inaugurate it in the near future. The union of the public and private sectors has long been demanded in the promotion of defense technology research. Accompanying the changes in global conditions, the need to shift attention and add areas to priority research in the field of underwater defense technology has of late been considered necessary. Under such conditions, this subcommittee will seek to encourage mutual enlightenment and learning for those technicians in both the public and private sectors involved in research on underwater defense technology as well as stimulating and making more efficient such research, thereby contributing to the improvement of underwater defense technology.

For information concerning this subcommittee, please contact the DTF General Affairs Office (TEL 03-3463-2308).

Japan: Hitachi ASW Technician Profiled

OW0407004296 Tokyo BOEI GIJUTSU JANARU in Japanese Jun 96 p 25

[Article by Takeshi Hondo, member, Editorial Division, profiling Shoji Fujii, Chief Technician, ASW Systems Center, Defense Systems Headquarters, Information Communications Operations Division, Hitachi, Ltd.]

[FBIS Translated Text] Approximately one kilometer of Totsuka Station on the Tokaido Main Line in Kanagawa Prefecture is found the Information Communications Operations Division of Hitachi, Ltd. The company's Totsuka facility measures 320,000 square meters. In the past the Information Communications Department center was referred to as the Totsuka Plant, but in 1990 a company reorganization led to its absorption into the Information Communications Operations Division. This division is one of the oldest in Hitachi, having been founded in 1937, and will soon mark the 60th anniversary of its start. Among the main products for which the division is responsible are "sophisticated information communications systems," "corporate information network systems," "information communication terminals," and "defense systems."

Among Hitachi's defense-related work, the Information Communications Operations Division is responsible for approximately 35 percent of the total work load. A further breakdown shows that about 50 percent of that is done for the Maritime Self-Defense Force (MSDF), compared to roughly 25 percent each for the Ground Self-Defense Force (GSDF) and Air Self-Defense Force (ASDF). Examples of the important items the division is responsible for are constituent equipment for shipboard systems, such as "anti-submarine intelligence processing devices," "sonar for escort ships [destroyers]," and "mine detection equipment," as well as such information communications systems as "anti-submarine air systems communications mechanisms (ASCOMM)," "communications buffer systems," and "defense integrated digital communications networks (IDDN—Integrated Defense Digital Network)." Moreover, within the division there is a special unit, the ASW Systems Center, responsible for anti-submarine warfare-related activities. The chief instructor here, a man who is actively involved in developing new technologies, is Shoji Fujii (37). In April 1981, the same year that he graduated from the National Defense Academy, where he majored in electrical engineering, Fujii joined Hitachi. He says that, "Since I had always wanted to sail on ships, I decided to enter the National Defense Academy." He goes on to explain, "I became fascinated with sonar technology, which has the power to peer down into areas of the sea not visible to the naked eye, and I was introduced to Hitachi

through the kind offices of people at the university." Immediately after joining Hitachi, Fujii was assigned to the Defense First Systems Division, which is responsible for naval matters, where he became responsible for systems engineering (SE) work. The first job he was responsible for was anti-submarine sonar for DE use on the Abukuma class of destroyers. After that, he became responsible for developing systems for the ASDF, as well as sonar systems. Now for the most part he is responsible for the promotion of R&D related to mine detection equipment. "Right now I am striving to upgrade the performance of mine detection equipment," he says. "We develop these devices by getting repeated feedback through ocean testing. This work gives you a feeling of the profundity of the natural world. It makes you acutely aware that it simply will not do for you to produce superficial, slipshod results." He adds, "Even though I did not become a uniformed Self-Defense Forces officer, I have not forgotten my debt to my teachers and fellow graduates of the National Defense Academy and am working to repay it by producing high-quality equipment for their use." Fujii's perspective was broadened by the year from 1988 that he spent studying at company expense at Victoria University in Canada. Fujii is the father of two boys, but regrets that he does not spend enough time with them, since even on his days off he is usually to be found on the golf links improving his skills. He also continues to play the clarinet, a skill he first picked up as a member of his class band while in high school.

**Japan: EPA Head Urges MOF To Accept
Downsizing Proposals**

OW0507104896 Tokyo KYODO in English
0843 GMT 5 Jul 96

[FBIS Transcribed Text] Tokyo, July 5 KYODO — The chief of the Economic Planning Agency (EPA) urged the Finance Ministry (MOF) to drop its objections to the ruling coalition's proposals to reduce the ministry's size while linking the issue with a MOF appeal to rebuild the deficit-ridden state finances.

EPA Director General Shusei Tanaka, a member of Sakigake, one of the three ruling coalition parties, told a news conference, "If the Finance Ministry continues to warn of the nation's serious fiscal condition, it should make efforts to downsize itself."

Tanaka was apparently referring to the ministry's proposals for raising the consumption tax rate, ending a special income tax cuts and limiting the size of a supplementary budget amid the fiscal constraints.

Whether the ministry's argument on these issues are convincing depends on how much it can volunteer to downsize itself, Tanaka said.

**Japan: LDP's Kato Hints at House Election in
Early Dec**

OW0407122896 Tokyo KYODO in English
1110 GMT 4 Jul 96

[FBIS Transcribed Text] Tokyo, July 4 KYODO — Koichi Kato, secretary general of Prime Minister Ryutaro Hashimoto's Liberal Democratic Party (LDP), on Thursday suggested that an election for the House of Representatives could be held in early December.

Kato said in an interview with KYODO news that it would not be to the ruling tripartite coalition's advantage to dissolve the lower house for a snap poll after the government has drafted the fiscal 1997 budget in late December.

Kato said it would be better to hold the next general election after the annual meeting of the Asia-Pacific Economic Cooperation forum (APEC) on Nov. 22-25 in the Philippines.

He said that diplomatic events slated for November such as the APEC meeting and a visit by French President Jacques Chirac to Japan would not be decisive factors in keeping Hashimoto from dissolving the lower house for an election.

"It's desirable that diplomatic events and the general election do not overlap, but it should not be ruled out," Kato said, alluding to the possibility of Hashimoto dissolving the lower house in late November to hold a poll in early December.

Kato said the fiscal 1997 state budget would be an austere one in view of the fiscal crisis and took a dim view of calling a poll after the government has drafted the fiscal 1996 budget.

"I don't think it would be better for the coalition to face an election after drafting the budget," he said.

The ruling coalition consists of the LDP, the Social Democratic Party (SDP) and New Party Sakigake.

On other topics, Kato voiced opposition to bulldozing a bill to enact a special law making it easier for the government to expropriate land for use by the U.S. military stationed in Japan under the bilateral security treaty.

"We must avoid a situation in which the LDP, the SDP and Sakigake clash over the special legislation and which leads to a diet dissolution," Kato said.

The LDP has backed such legislation, but the SDP and Sakigake are against it.

Japan: Article Sees NFP Breakup Triggering Political Realignment

OW0307034296 Tokyo EKONOMISUTO in Japanese
9 Jul 96 p 18

[Article by MAINICHI SHIMBUN editorial writer Kazuo Nagasaki: "The Progressive Self-Destruction of the New Frontier Party May Trigger Second Round of Political Realignment"]

[FBIS Translated Text] Commentator Taro Yayama, who was concerned about discord in the New Frontier Party (NFP), arranged a three-way meeting among President Ichiro Ozawa, and former prime ministers Tsutomu Hata and Morihiro Hosokawa at a hotel in Tokyo on 20 June, immediately after the Diet session closed.

Although Yayama asked Ozawa and Hata to sit opposite each other, they chose to sit abreast, and refused to look straight at each other. It is reported that the meeting, which lasted some three and a half hours, took place in an awkward atmosphere.

Before anyone realized what was happening, the NFP has taken a bizarre course.

Hajime Funada and his people are moving toward forming a "Hatobune [taken from the names of Sakigake Secretary General Yukio Hatoyama and Funada] New Party." In connection with this, there are rumors that Ozawa may resign as president. Ozawa chose to visit the UK just as the Diet session was about to close. NFP members looked at this with amusement, commenting "he is having another bout of the exasperation syndrome."

Ozawa dismissed people who used to be known as his close aides one after another. Right now, Sadao Hirano, Kenji Yamaoka and Toshihiro Nikai are his closest aides, but these people are precisely the cause of great discontent in the party. During the process of dealing with the Jusen liquidation scheme and the passage of the six financial bills, Shokei Arai rebelled and left the party. A "list of seven" — seven NFP Dietmen who are thinking of returning to the fold of the Liberal Democratic Party (LDP) — is also in circulation.

The problem of publishing the voters' tally for the open voting during the party presidential election in December 1995 remains a controversial issue. The NFP leadership has decided that "this will not be made public," but the Hata faction (Koshikai) and other cynics suspect that "if the list is made public, the fact that Ozawa's victory was the result of support from big

companies and the Soka Gakkai would be revealed." The question of making party accounts public has also been left unresolved.

With regard to party accounts, some NFP members lament that, "We had no idea that government subsidy to political parties would undermine party unity to such an extent. The total subsidy of 30.9 billion yen divided by the number of Diet members comes to more than 40 million yen per head. The Diet members are no longer grateful for the 10 or 20 million yen that the party distributes. They only think of this as the party, as the middleman, taking an unfair share of the 40 million they ought to receive." Diet members from the now-defunct Shinseito (Japan Renewal Party), which defected from the LDP, perceive that, as "protoges," they are only grateful for money that the "master" collected by risky methods.

In any case, observers think that recent words and action by Funada, the biggest headache for Ozawa, which seem to indicate he has brought his focus back on the NFP, only mean that Funada now sees the self-destruction of the NFP to be irreversible, and would like to leave the party, bringing with him the biggest group possible.

How did this state of affairs arise? There are numerous factors involved, but essentially it is the difference in perception between Ozawa and his close aides on the one hand, and the rest of the party, on the other, on the role of the party president and on party management.

Ozawa thinks that as he garnered such overwhelming support during the open election for the party president, the party president's policy should be the party's policy, and everything from party management to Diet steering tactics should be decided at the top and merely handed down.

He believes that a party like the NFP, which is a collection of political parties from different backgrounds, needs dictatorship by the party president.

If that is the case, then it is time to start with a clean slate because there is so much discontent brewing. It is clear even to outsiders that it would be very difficult for the NFP to continue temporizing just to put up an appearance of "party unity." Rather than creating the "Hatobune New Party," the NFP's breakup may actually become the key factor in triggering a second round of political realignment.

North Korea

DPRK: Yi In-mo's Departure From U.S. Reported
SK2906050996 Pyongyang KCNA in English
0423 GMT 29 Jun 96

[FBIS Transcribed Text] Pyongyang, June 29 (KCNA) — Yi In-mo, the incarnation of faith and will, Yi In-mo, left New York on June 24 after undergoing medical treatment in the United States under the particular loving care and solicitude of the respected Comrade Kim Chong-il.

In a document distributed to reporters before his departure, Yi said that as his mental and physical health has got better after medical treatment even in New York across ocean and continent under the unlimited loving care and solicitude of the respected general Kim Chong-il, he thinks of the teachings of the great President Kim Il-song that he should live 40 years more. [sentence as received]

"During the medical treatment I waited for the day when I will come back to the embrace of our general, yearning for him," he noted.

He dropped over at Narita Airport of Japan on June 25 on his way home.

He was presented with a bouquet in the name of the Central Standing Committee of the General Association of Korean Residents in Japan (Chongnyon) and received congratulatory greetings of Chongnyon officials and Koreans in Japan.

He said that he will fight till the last moment of his life as befitting a soldier of the general in his embrace.

He arrived in Beijing that day.

DPRK: Yi In-mo Sends Letter to Kim Chong-il on Return From U.S.

SK0207035696 Pyongyang KCNA in English
0310 GMT 2 Jul 96

[FBIS Transcribed Text] Pyongyang, July 2 (KCNA) — Yi In-mo, a former war correspondent of the Korean People's Army, wrote a letter to the great leader Comrade Kim Chong-il after returning to the motherland from his trip to the United States for medical treatment.

In the letter, Yi In-mo said he was very grateful to General Kim Chong-il for reviving him, a cripple who cannot walk and speak at will due to brutal persecution in South Korean prison, so that he could live more than 77 years and enjoy happiness. He is all the more grateful as the general proposed his medical treatment overseas and took a concrete measure, he added.

During his medical treatment in the United States, the South Korean authorities were very much upset because of General Kim Chong-il's benevolent politics having a great influence on South Korea, Yi In-mo said.

He vowed to staunchly fight for General Kim Chong-il, come what may, the same way he did with a rifle and a writing-brush as a war correspondent for the great leader President Kim Il-song in the past.

DPRK: Foreign Leaders Greet Kim Chong-il, Criticize U.S.

SK0207122596 Pyongyang KCNA in English
0824 GMT 2 Jul 96

[FBIS Transcribed Text] Pyongyang, July 2 (KCNA) — The Great Leader Comrade Kim Chong-il received messages of solidarity from Secretary General of the October 8 Revolutionary Movement of Brazil Claudio Campos, leader of the People's Democratic Movement of Guyana Llewelyn John, President of the Central Committee of the Mauritius Communist Party I. Chandramun, Secretary General of the Senegalese Democratic League-Movement for the Party of Workers Abdoulaye Bathily and leader of the People's Pressure Movement of Barbados Eric Sealy supporting the struggle of the Korean people to remove the military tension from the Korean Peninsula.

Messages expressed full support to and solidarity with the DPRK Government's proposal for establishing a new peace-keeping mechanism to prevent armed conflict in the Korean Peninsula and remove the danger of a war.

They said that the bellicose acts of the U.S. ultra-reactionary forces and warlike forces and the South Korean puppets pose a grave menace to the Korean people as well as to world peace and the liberation and independence of all peoples.

They wished the Korean people success in their struggle for peace, security and reunification of the country under the wise leadership of Comrade Kim Chong-il.

DPRK: U.S.-ROK 'Military Drills' Against DPRK Denounced

SK0507031596 Pyongyang KCNA in English
0311 GMT 5 Jul 96

["Military Drills Against DPRK" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 5 (KCNA) — The U.S. imperialist warmaniacs staged a provocative joint exercise with the South Korean puppets on July 2 and 3 in the air above the West Sea [Yellow Sea] of Korea to increase the capacity of raiding main strategic

targets in the interior of the Democratic People's Republic of Korea, military sources said.

The drill involved some 920 assault planes, pursuit-assault planes and fighter-bombers belonging to the Marine Corps of the U.S. Pacific Fleet, the U.S. Seventh Air Force and the puppet air force.

Meanwhile, the South Korean puppets carried out a drill of airlifting commandos with the mobilization of scores of helicopter transporters in the air above frontline areas on the 2nd under simulated conditions of their parachuting on the interior of the DPRK.

On the 3rd, heavy tanks of the puppet army moved towards a forward area, firing some 40 shells, while more than one hundred puppet army soldiers fired some 1,100 large-calibre machinegun and rifle bullets.

In the two days a group of 105 mm guns belonging to the puppet army fired 310 shells toward frontline areas.

Such war moves against the DPRK have been driving the situation of the Korean peninsula to the brink of war.

The U.S. imperialists and the South Korean puppets must stop running reckless, clearly seeing the situation.

DPRK: ROK 'Military Provocations' Along MDL Denounced

SK0507030896 *Pyongyang KCNA in English*
0306 GMT 5 Jul 96

["Military Provocations Near MDL" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 5 (KCNA) — The South Korean puppets, having turned the southern portion of the Demilitarized Zone into a complete militarized zone and a forward base for attacking the North, committed grave military provocations against the North near the Military Demarcation Line (MDL), according to military sources.

On July 3, many puppet army soldiers fully armed with machine guns and automatic rifles, took a combat position in the west sector of the front and levelled them at People's Army soldiers on a routine duty in the northern portion on the opposite side, seriously threatening their lives.

On July 1, puppet army soldiers wielded automatic weapons at random in the area, getting on the nerves of the North.

On the 2nd, armed soldiers of the puppet army who were deployed in the central and east sectors of the front staged an attack operational exercise aimed at breaking through the Military Demarcation Line.

On July 1 and 3, hundreds of puppet army soldiers built positions in the central sector of the front. On the 2nd, over 10 military vehicles loaded with lethal weapons and puppet army soldiers were deployed there.

The puppet army soldiers fired machine guns and automatic rifles in the west and east sectors of the front on July 1.

If the South Korean puppets dare violate an inch of land and a blade of grass of the DPRK in spite of its repeated warnings, they will face a stern punishment.

DPRK: 'Melee' in ROK National Assembly Reported

SK2706064396 *Pyongyang KCNA in English*
0339 GMT 27 Jun 96

[FBIS Transcribed Text] Pyongyang, June 27 (KCNA) — A melee between the ruling party and the opposition happened at a plenary meeting of the "National Assembly" in South Korea on June 24, over the election of the "chairman and vice-chairmen of the National Assembly," according to a report.

"New Korea Party" members first entered the meeting hall and encircled the "chairman" seat to force a separate voting.

Opposition members entered the hall a bit late and stubbornly checked it, yelling "it is not normal."

Physical fighting and yelling between ruling and opposition members lasted for a while, so the meeting was suspended.

DPRK: ROK Detention of Chonnam University Graduates Noted

SK3006074896 *Pyongyang KCNA in English*
0657 GMT 30 Jun 96

[FBIS Transcribed Text] Pyongyang, June 30 (KCNA) — The South Korean "civilian" fascist clique on Saturday [29 June] detained 13 graduates of Chonnam National University who were leading members of the university's student council on charge of the violation of the notorious "National Security Law", according to a radio report from Seoul.

Among them is Kim Mi-ra, director of the Organizational Department of the Kwangju-South Cholla Provincial Federation for Democracy and National Reunification. In July 1994 when the great leader President Kim Il-song, the father of the nation, passed away suddenly, they installed an incense-burning altar and conducted condolence activities over his death.

The Kwangju-South Cholla Provincial Federation charged that the arrest of the young people, who

have got married and got jobs after graduating from the university, on charge of what they did in their university days a few years ago, is a "security-oriented suppression" trampling down human rights.

Meanwhile, the student council of Chonnam National University held a rally on the campus, strongly demanding their release.

DPRK: Various Groups' Protests in ROK Reported
SK2906050596 Pyongyang KCNA in English
0313 GMT 29 Jun 96

[FBIS Transcribed Text] Pyongyang, June 29 (KCNA) — South Korea's National Federation of Trade Unions of Hospitals reportedly called a press conference on Wednesday, declaring that if its demand for wage hike and reinstatement of the dismissed is not met, its trade unions will start strikes.

Trade unions of six hospitals including the Chonnam, Chonbuk National University Hospitals have already started strikes.

The National Council of Professors for Democracy, the National Federation of Councils of Private University Professors and other organizations of professors held rallies to have university presidents elected in a democratic way and to defend educational authority and criticized the puppet authorities for scheming to unilaterally abolish the direct university president election system.

Some 2,000 fishermen in North Cholla Province made a protest against the puppet authorities failing to compensate them for their heavy damage. They urged the authorities to make a compensation and warned that if their demand is not met, they will launch a stronger protest.

More than 1,000 fishermen in South Chungchong Province, too, staged a weeklong sit-in, demanding a compensation for their losses.

DPRK: 'Fascist Violation' of Human Rights in ROK Decried

SK3006074996 Pyongyang KCNA in English
0700 GMT 30 Jun 96

["Fascist Violation of Human Rights in S. Korea" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, June 30 (KCNA) — The South Korean puppet army's Defense Security Command recently arrested six soldiers of the puppet army by invoking the "National Security Law" on the charge that they read books introducing the North and took part in an "anti-government" [quotations as

received] demonstration of students when they were out of barracks.

In a commentary NODONG SINMUN today views their arrest as the dictators' outrage and a harsh ideological suppression of elementary human freedom and rights.

The daily says:

It is only too natural that puppet army soldiers, who have been subjected to national insult and coercive club discipline as colonial mercenaries of outside forces, wanted to know about the North, the socialist homeland of *chuche*, independent, self-supporting and self-reliant in national defense.

Their reading and dissemination of the North-related books and their struggle for a society as independent and democratic as in the North are a righteous act which can never be incriminated.

The puppets' suppression fully shows the whole world that South Korea is a worst graveyard of human rights and a dark land where fascism holds sway and that they are a "civilian"-veiled political gang and fascist group.

DPRK: ROK Arrest of Chonnam University Graduates Condemned

SK0207035196 Pyongyang KCNA in English
0257 GMT 2 Jul 96

["Unethical Outrage of Fascists" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 2 (KCNA) — NODONG SINMUN today accuses the Kim Yong-sam group of recently arresting 13 graduates of Chonnam National University of South Korea including Kim Mi-na, director of the Organisation Department of the Kwangju-South Cholla Provincial Alliance for Democracy and Unification by invoking the notorious "National Security Law" for the mere reason that they played a leading role in arranging mourning places for the great leader President Kim Il-song two years ago.

The news analyst brands this unethical outrage as an overt challenge to the North, saying:

It was quite natural that the South Korean students and other people should share with their fellow countrymen in the North the bitter sorrow at the loss of the nation's father.

If the traitor Kim Yong-sam had an iota of human conscience and reason, he should have apologised for and repented of his anti-national crime, though belatedly.

His effort to seek a way out in confrontation with fellow countrymen revealed once again that he is the

nation's first enemy who stands in the way of national reconciliation, unity and reunification.

We will never pardon the traitors and will make them pay for their crimes a thousandfold.

DPRK Paper Criticizes ROK Arrest of Kim Il-sung Mourners

SK0307034296 *Pyongyang KCNA in English*
0322 GMT 3 Jul 96

["Paper on Fascist Outrage" — KCNA headline]

[FBIS Transcribed Text] *Pyongyang, July 3 (KCNA)* — The traitor Kim Yong-sam arrested graduates of Chonnam National University of South Korea including Kim Mi-ra, director of the organization department of the Kwangju-South Cholla Provincial Alliance for Democracy and Unification, on charges of violation of the notorious "national security law" for the mere reason that they made activities to mourn over the death of the great leader President Kim Il-sung.

MINJU CHOSON today brands this as an unpardonable outrage of fascists who are ignorant of ethics and morality.

The news analyst says:

It has become all the more clear that the "civilian" fascists are a group of traitors who do not want democracy in South Korea and national reconciliation and unity.

The Kim Yong-sam group must immediately stop the reckless repressive campaign, release the unreasonably arrested young people and step down as demanded by all people.

DPRK Daily: ROK Has "World's Most Indebted Economy"

SK0307124096 *Pyongyang KCNA in English*
0831 GMT 3 Jul 96

[FBIS Transcribed Text] *Pyongyang, July 3 (KCNA)* — NODONG SINMUN today comes out with an article titled "World's Most Indebted Economy of S. Korea."

The author of the article says:

The snowballing of the foreign debt is a graphic example of the bankruptcy of the South Korean economy.

South Korea's foreign debt totals more than 100 billion dollars.

Trade deficit holds a major proportion in the foreign debt.

According to the statistics recently undersated by the puppet ministry of trade and industry, the trade deficit

was 7.9 billion dollars by the end of June, or 900 million dollars more than expected for this year.

The increase in South Korea's foreign debt is also attributable to the sharp increase in the invisible trade deficit through service sector.

Even according to the underestimate published by the puppets, the invisible trade deficit was a record high in February this year and this deficit accounted for more than 40 percent of the deficit in international accounts in the first quarter of the year.

The jumping of South Korea's foreign debt is also due to the rapid increase of deficit in external transactions of capital.

After the limit of foreign stock and capital investment was enlarged on April 1, as much foreign capital as 970 million dollars was invested in six days, whereas 600 million dollars was induced in the same period after a similar event last year.

The point at issue is foreign debt has snowballed since the traitor Kim Yong-sam took office. This period has seen an increase of 52.4 billion dollars in foreign debt, which accounts for a half of the total amount.

DPRK: Month of Solidarity With Koreans Opens in Moscow

SK0207122496 *Pyongyang KCNA in English*
0821 GMT 2 Jul 96

[FBIS Transcribed Text] *Pyongyang, July 2 (KCNA)* — The June 25-July 27 Month of International Solidarity With the Korean People began in Moscow on June 25 with due ceremony.

It was addressed by Viktor Platov, vice-chairman of the Russian Association for Friendship and Cultural Cooperation With the Democratic People's Republic of Korea, and Ivan Shashibia Shubili, first vice-chairman of the People's Resistance Union.

The speakers said that under the wise guidance of the Great Leader Comrade Kim Il-sung, the Korean people honorably defended the freedom and independence of their country in the 3-year-long bloody war provoked by the U.S. imperialists and the South Korean puppet clique.

The DPRK has built the most advantageous socialism centred on the popular masses and is confidently advancing along the road of socialism and communism entirely thanks to the outstanding idea and guidance of Comrade Kim Il-sung and the Great Leader Comrade Kim Chong-il, they stressed.

They noted that the proposal for reunifying the country by means of confederacy advanced by Comrade Kim Il-song is the most fair and realistic one for the independent and peaceful reunification of Korea.

"We are convinced that the Korean people will certainly achieve the cause of reunification, their cherished desire, under the leadership of Comrade Kim Chong-il," they emphasized.

A statement was adopted at the meeting.

DPRK: Symposium in Japan Marks Korean University Anniversary

SK0307123896 *Pyongyang KCNA in English*
0840 GMT 3 Jul 96

[FBIS Transcribed Text] Pyongyang, July 3 (KCNA) — An academic symposium of Korean scientists and technicians in Japan was held in Tokyo on June 29 and 30 to mark the 40th anniversary of Korean University, according to a KNS report from Tokyo.

Congratulatory messages of the Academy of Social Sciences, the Academy of Educational Science and the State Commission of Science and Technology of the DPRK were introduced at the opening ceremony of the symposium.

Kwon Sun-hwi, vice-chairman of the Central Standing Committee of the General Association of Korean Residents in Japan (Chongnyon), in an address at the opening ceremony said that the Korean social scientists in Japan must intensify activities of theoretical propaganda including the study and propaganda of the *chuche* idea and that the Japan-resident Korean natural scientists and technicians must make tangible contributions to the socialist construction in the homeland with science and technology.

The speaker noted that the teachers of Korean University in Japan must glorify the honor of the university as an overseas compatriots' university of *chuche* Korea by carrying on education of students and scientific researches well and thus make a great contribution to brilliantly adorning this as a year of national education.

Scientific essays were published at the symposium.

A letter to the Great Leader Marshal Kim Chong-il was adopted there.

DPRK: Chongnyon Delegation, Visiting Groups Arrive in Wonsan

SK0107133496 *Pyongyang KCNA in English*
0841 GMT 1 Jul 96

[FBIS Transcribed Text] Pyongyang, July 1 (KCNA) — A delegation of officials of the General Association of

Korean Residents in Japan (Chongnyon) led by Hong In-hum, chairman of the Chongnyon Central Auditing Committee, a sports team of Korean students in Japan headed by Sin Su-kyong, vice-chairman of the Korean Amateur Athletes Federation in Japan, visiting groups of Korean students in Japan and the 266th home-visiting group of Korean Residents in Japan arrived in Wonsan by the ship "Mangyongbong-92" today to visit the socialist homeland.

DPRK: Japan Military Doctrine Meant To Justify 'Aggression'

SK0407075496 *Pyongyang KCNA in English*
0741 GMT 4 Jul 96

["What 'Countermeasure to Crisis' is for" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 4 (KCNA) — NODONG SINMUN today defines the "countermeasure to a crisis" advocated by Japan's ruling quarters and military as meaning aggression on Korea.

The paper says in a by-lined article:

The ruling quarters and military of Japan are busy seeking a "countermeasure" allegedly to cope with "possible attack" on Japan and "grave impact" on Japan's security in case a "crisis" happens near Japan.

"Missile attack" from the DPRK and "expansion of fighting" to Japan in the event of "contingency" on the Korean Peninsula are all sophism.

The "crisis" on the Korean Peninsula posing a threat to Japan's security is a new pretext the aggressive forces of Japan raise in place of "Soviet invasion of Japan" in a bid to create legitimate conditions for their military power construction and reinvasion.

The Japanese reactionaries are working hard to establish the sphere of influence of the old empire again in Asia through military influence.

Technically, Japan cannot do any military action except "overall defence" within its territory. That is why the Japanese reactionaries are trying to create legitimate conditions for overseas military operations on the pretext of "threat to Japan's security" from a "crisis" near Japan, especially on the Korean Peninsula.

Their argument about possible "attack" from the DPRK in case of "emergency" on the Korean Peninsula is aimed at invigorating their effort to invade Korea on this pretext.

It is getting clearer that the aggressive forces of Japan regard the DPRK as the first target in their reinvasion of Asia.

That is why they are distorting and denying the criminal history of aggression and instilling antagonism toward the DPRK into Japanese society, from a militarist and aggressive outlook on history.

Their moves for reinvasion have become a reality under the pretext of "coping with a crisis" on the Korean Peninsula.

DPRK: Japan Denounced for Backing Four-Way Talks Proposal

*SK0507033896 Pyongyang KCNA in English
0435 GMT 5 Jul 96*

"Japan Urged To Mind Her Own Business" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 5 (KCNA) — NODONG SINMUN today, describing Japan which is acting for the South Korean puppets as a political dwarf, says that the people are shocked at Japanese-style diplomacy, a humiliating diplomacy.

The analyst recalls that at the summit meeting of seven western countries Japan helped a "statement of the president" include the sentences calling for response of the Democratic People's Republic of Korea to "inter-Korean dialogue" and "four-way talks", and goes on:

Japan does anything the South Korean puppets want. Japan's act at the recent summit meeting was part of such effort. It is based on Japan's policy hostile towards the DPRK, a policy inclined to South Korea.

As for the "inter-Korean dialogue" and the "four-way talks" advertised by Japan, it is our own business, not Japan's.

It is not a matter that will be resolved under the pressure from someone.

Japan is not included in the list of the "four-way talks".

She has no justification to meddle in the Korean issue.

If she wants to become a political power, Japan should act with discretion as such.

If Japan truly wants peace and stability in and around the Korean peninsula, she should maintain her own view and stop an anachronistic "cooperation" with the South Korean puppets. She should liquidate the past at an early date, too.

Japan would be well-advised to readjust her Korea policy in her national interests with her own viewpoints, not to dance to the tune of others.

The Korean people will continue to follow Japan's Korea policy with heightened vigilance.

DPRK: WPK Greete Cambodian People's Party on Anniversary

*SK0107133596 Pyongyang KCNA in English
0840 GMT 1 Jul 96*

[FBIS Transcribed Text] Pyongyang, July 1 (KCNA) — The Central Committee of the Workers' Party of Korea sent a message of greetings to the Central Committee of the People's Party of Cambodia on the occasion of the 45th anniversary of its foundation on June 27.

The WPK Central Committee said in the message:

"We are rejoiced over the fact that the People's Party of Cambodia has achieved great advance in the work for strengthening unity and cooperation with various political forces and for pushing forward the cause of reconstruction of the country in the spirit of national reconciliation and unity since the peace process was successfully realised in Cambodia."

The message expressed the belief that the friendly and cooperative relations between the parties and peoples of the two countries would further strengthen and develop, and wished the party and people of Cambodia greater success in the struggle for building a new society.

DPRK: Laos, Cambodian Party Chairmen Meet WPK Delegation in Hanoi

*SK0407140696 Pyongyang Korean Central
Broadcasting Network in Korean 0100 GMT 2 Jul 96*

[FBIS Translated Text] Khamtai Siphandon, chairman of the Lao People's Revolutionary Party Central Committee, and Chea Sim, chairman of the Cambodian People's Party Central Committee, each received the Workers Party of Korea [WPK] delegation headed by Hwang Chang-yop, secretary of the WPK Central Committee, which participated in the 8th Congress of the Vietnamese Communist Party in Hanoi on 29 June.

During the meetings, the head of the delegation conveyed the Great Leader [widachan yongdoja] Comrade Kim Chong-il's greetings to Chairman Khamtai Siphandon and Chairman Chea Sim. They expressed deep gratitude, and asked the head of the delegation to convey their greetings of long life to the Great Leader [widachan yongdoja] Comrade Kim Chong-il.

The chairman of the Lao People's Revolutionary Party Central Committee pointed out as follows: The traditional friendship between the party and people of the two countries is being developed magnificently today. This friendship was provided by the leaders of the two countries. The Lao People's Revolutionary Party and people will continue to move shoulder to shoulder with the WPK and the Korean people. We are of the firm

belief that the fraternal Korean people will achieve new results without fail under the leadership of the Great Leader [widaehan yongdoja] Comrade Kim Chong-il.

The chairman of the Cambodian People's Party Central Committee pointed out as follows: For a long time the Cambodian People's Party has harbored deep friendly relations with the WPK. We will continue to exert efforts to all the more strengthen and develop the traditional friendship between the people of the two countries provided by the Great Leader His Excellency President Kim Il-song and His Majesty King Norodom Sihanouk. Our party and people are greatly admiring the fraternal Korean people who are vigorously advancing with strong revolutionary will by firmly uniting around the Great Leader [widaehan yongdoja] Comrade Kim Chong-il. We are of the firm belief that your party and people will achieve brilliant victories under the wise leadership of the Great Leader [widaehan yongdoja] Comrade Kim Chong-il.

DPRK: SPA Delegates Meet Mexican Political Leaders 26-27 Jun

SK0407034996 *Pyongyang Korean Central Broadcasting Network in Korean 1300 GMT 1 Jul 96*

[Mexican names as heard]

[FBIS Translated Text] On 26 and 27 June, Santiago Yabresk, chairman of the National Executive Committee of the Mexican Institutional Revolutionary Party [IRP]; Chierkey Inowayatt, chairman of the National Executive Committee of the Mexican National Action Party [NAP], and Alberto Anaya Wadadeos, president of the Coordination Committee of the National Political Committee of the Mexican Labor Party [MLP], met with the delegation of our country's Supreme People's Assembly [SPA] led by its chairman Yung Hyong-sop.

At the talks, the head of the delegation conveyed greetings from the great leader [yongdoja] Comrade Kim Chong-il to Chairman Santiago Yabresk, Chairman Chierkey Inowayatt, and Alberto Anaya Wadadeos.

Expressing their deep thanks, the leaders of these political parties asked the head of the delegation to convey their own greetings and the greetings of their party leadership to the great leader Comrade Kim Chong-il.

The chairman of the IRP National Executive Committee said the Mexican Government and people admire [kamsan] the DPRK Government and people for firmly defending the nation's sovereignty by resolutely rejecting outside pressure. He noted he hopes the DPRK will further prosper and develop under the wise leadership of the great leader Excellency Kim Chong-il.

He said he hopes the friendship and cooperative relations between the two countries will continue to develop satisfactorily, adding that he will strengthen support and cooperation in carrying out the sacred cause of peace, security, and independence of the world.

The president of the Coordination Committee of the MLP National Executive Committee said: During our visit to the DPRK, we came to have a firm faith in socialism by witnessing the DPRK where the leader, the party, and the masses have attained singlehearted unity. We came to keenly realize that the DPRK is the base [pongoji] of socialism and an exemplary country which world politicians should follow and learn from.

Today, the revolutionary cause pioneered by the leader [suryong] has been brilliantly inherited and accomplished in the DPRK under the wise leadership of the great leader [yongdoja] Comrade Kim Chong-il. The wise leadership of the esteemed Comrade Kim Chong-il, and the DPRK's invincible might and singlehearted unity around him, firmly ensure the victory of their cause. We sincerely wish the DPRK people, who are sincerely upholding Comrade Kim Chong-il's leadership, continual excellent success in the sacred struggle to accomplish the chuche revolutionary cause pioneered by the great leader Comrade Kim Il-song and to achieve national reunification.

Chairman of the MAP National Executive Committee said he expresses support for the peaceloving policy of the DPRK Government for peace and security on the Korean peninsula, and hopes Korea will be unified at an early date, and that friendship and cooperative relations between the MAP and the WPK will expand and develop in the interest of the Mexican and DPRK people.

DPRK: Film Show Marks Anniversary of Sudanese Revolution

SK2806032296 *Pyongyang KCNA in English 0240 GMT 28 Jun 96*

[FBIS Transcribed Text] Pyongyang, June 28 (KCNA) — The Korea-Sudan Friendship Association hosted a film show here on [words indistinct] the seventh anniversary of the revolution in the Sudan.

Yi Song-ho, vice-chairman of the Committee for Cultural Relations with Foreign Countries and vice-chairman of the Korea-Sudan Friendship Association, was among the participants, who saw a Sudanese documentary film.

DPRK: Anniversary of Kim Chong-il's WPK Work Marked

SK0407124696 *Pyongyang NODONG SINMUN*
in Korean 19 Jun 96 p 1

[Editorial: "Let Us Consummate the Chuche Revolutionary Cause to the End, Upholding the Great Comrade Kim Chong-il's Leadership"]

[FBIS Translated Text] Today is a significant day marking the 32d anniversary of when the great leader [yongdoja] Comrade Kim Chong-il embarked on the party's work.

Greeting this day, all party members and working people are filled with the infinite dignity and honor of carrying out the revolution and of upholding the great leader Comrade Kim Chong-il, and resolutely vow to consummate the chuche revolutionary cause to the end under Comrade Kim Chong-il's leadership.

Thirty-two years ago, on 19 June 1964, the great leader Comrade Kim Chong-il began to lead the cause of building a chuche-oriented party at the party Central Committee. This was a historic event of great significance in strengthening and developing our party and in pioneering the destiny of our party.

At that time, the respected and beloved Comrade Kim Chong-il [kyongaehanun kimchongil tongji] began to lead the party and the revolution at their head, taking the desire of the times and of the people upon himself. As a result, our party and people were able to vigorously advance, upholding the outstanding leader [yongdoja], another great man of the century, who will inherit the leader's [suryong] cause.

In the history of the struggle of our party and people, 19 June 1964 will be recorded forever as the beginning of a glorious era shining with the revered name of the great leader [widachan yongdoja], as a significant day in which a new change was effected in all fields of the revolution and construction, and as a day in which a bright vista was opened up along the road for the fatherland and the revolution.

The great leader Comrade Kim Il-song taught: "Since Comrade Kim Chong-il's leadership began, a new turn has been effected, not only in party work but also in work in many fields, including the political, economic, and cultural fields; great innovations and upsurges have been effected in all fronts of socialist construction."

The 30-year history in which the respected and beloved Comrade Kim Chong-il has led our party and the revolution at the forefront shines as the history of an outstanding leader [kulchurhan yongdoja] who possesses a

far-sighted and extraordinary wisdom as well as an excellent leadership ability.

The greatness of a leader [yongdoja] lies in the wisdom [hyomyongsong] of his leadership. A leader [yongdoja] is to produce immortal revolutionary achievements for his fatherland and the revolution, and is to enjoy absolute confidence from the people, because he possesses an outstanding ability and extraordinary leadership features. A leader's [yongdoja] leadership is the lifeline to inherit and consummate the revolutionary cause.

On the protracted days of leading our party and people along the single road of victory, the respected and beloved Comrade Kim Chong-il has unstintingly demonstrated the feature of a socialist political leader with an outstanding leadership ability.

Thanks to the existence of the great Comrade Kim Chong-il's veteran and tested leadership ability, all important tasks that arose in inheriting and consummating the revolutionary cause have been brilliantly solved, and the proud reality of modeling all of society after the chuche idea has unfolded in our country.

All victories and epochal changes that have taken place in this land today are a noble fruition produced by the wise leadership of the respected and beloved Comrade Kim Chong-il.

On the course of traversing that proud road, which shines with victory and glory under the party's leadership, our people have keenly felt in their hearts that the respected and beloved Comrade Kim Chong-il is precisely a genius of leadership, and that only when they uphold the general's [changgunnim] leadership can they always be victorious, surmounting all sorts of formidable trials.

Our people's absolute respect toward the respected and beloved Comrade Kim Chong-il has become more firm and more unshakable amid the great sorrow of having lost the great leader Comrade Kim Il-song. Although the great leader [suryongnim]—who is the pioneer of our revolution and the founder of our party, state, and revolutionary armed forces—has departed from us, our style of socialism has been firmly adhered to, and the historic march to inherit and consummate the chuche revolutionary cause has been vigorously accelerated. This is totally because the respected and beloved Comrade Kim Chong-il is leading our revolution.

All our people have deep in their hearts the faith that as long as we have the respected and beloved Comrade Kim Chong-il [kyongaehanun kimjongil tongji], there is nothing to fear in this world, and there is nothing we cannot do. Our people have come to bear this faith deep in their hearts because, through the long experience

of their life, they have been completely fascinated by the greatness of the respected and beloved Comrade Kim Chong-il. This absolute faith will not flinch after thousands of years.

The leadership of the great Comrade Kim Chong-il [widachan kimjongil tongji] is the most revolutionary leadership that has fully succeeded the leadership of the leader [suryong], who first pioneered the road of the revolution; his leadership is filled with loyalty and filial piety toward the leader [suryong].

Guaranteeing the succession of the leadership is a basic demand for completing the revolutionary cause. Guaranteeing the succession of the leadership means consistently leading the revolution and construction with the ideology and lines of the leader [suryong], who first pioneered the road of the revolution, no matter how the political situation and the generations may change.

In our country, thanks to the wise leadership of the respected and beloved Comrade Kim Chong-il, succession and consistency have been thoroughly guaranteed in all sectors of the revolution and construction, both in the past and at present.

The lifetime motto of the respected and beloved Comrade Kim Chong-il is to complete to the end the chuche revolutionary cause pioneered by the great leader [widachan suryong] Comrade Kim Il-sung. It is an unbendable iron rule for him to lead all sectors of the revolution and construction exactly the way the leader [suryong] did. "Do not expect any changes from me." This is the unflinching determination of the respected and beloved Comrade Kim Chong-il. With such a firm faith, the respected and beloved general [kyongachanun changgunnim] is leading the revolution and construction in the style of the great leader [suryong]. The respected and beloved Comrade Kim Chong-il's [kyongachanun kimjongil tongji] ideology, theory, and policies are intended to embody the ideology and lines of the leader [suryong]. The principles of leadership that Comrade Kim Chong-il persistently adheres to are our style, the chuche style, that the leader [suryong] adhered to all his life. The method of leading the masses that Comrade Kim Chong-il is implementing is exactly the method of the leader [suryong], who deeply involved himself with the people and who inspired the limitless strength of the people. Thus, the leadership history of the first pioneer of our revolution, the leader [suryong], continues to flow in our revolution.

The leadership of the respected and beloved Comrade Kim Chong-il is an ever-victorious leadership that turns adverse situations into favorable ones, and that turns misfortune into fortune, by using his farsighted wisdom and iron will.

The greatness of a leader [yongdoja] is shown in his extraordinary wisdom and strong ability to practice what he says. As long as he has outstanding farsighted wisdom and a strong will, he can lead the revolution to brilliant victory under any circumstances.

The respected and beloved Comrade Kim Chong-il is a great man given to us by heaven whose wisdom and insight, whose will and courage, is unrivaled.

A long time ago, the great Comrade Kim Chong-il [widachan kimjongil tongji] countered and overcame difficulties with farsighted wisdom and a strong will, believing that he could survive even if the skies fall. The more difficult the situation became, the higher he lifted the red flag, leading the revolution and construction to ceaseless upsurges. Thanks to the revolutionary leadership of the respected and beloved general [kyongachanun changgunnim], who sees through any complicated situation and trend with an extraordinary insight and a bold attack spirit, and who tenaciously pushes ahead with all projects, our style of socialism has been firmly defended, and our people have always been able to achieve brilliant victories in our political and military confrontations with the enemies, despite the difficult circumstances in which the imperialists and reactionaries engage in concentrated antisocialist offensives.

Today the victory of our revolution is certain and our mental strength [paesim] is unwavering. This is because the respected and beloved Comrade Kim Chong-il, who is leading our party and people along the single road of victory with iron will and an uncommon leadership, is standing at our vanguard. The respected and beloved Comrade Kim Chong-il is persistently leading the chuche revolutionary cause with courage and self-confidence, saying let us watch who will win the final victory. Because our people hold the respected and beloved Comrade Kim Chong-il in high esteem, we won victory today and will win victory tomorrow.

The respected and beloved Comrade Kim Chong-il's leadership is the most popular leadership and resolves all problems by relying on the popular masses and by organizing and mobilizing the popular masses.

In his memoir, the Great Leader Comrade Kim Il-sung wrote that those who carry out the revolution will be ever-victorious when they trust and rely on the people. But if they are discarded by the people, they will always be defeated. He called on them to assume this truth as their motto for life and struggle. This philosophical maxim contains the secret of ever-victorious leadership.

The respected and beloved Comrade Kim Chong-il put forward the great leader's [suryongnim] idea of "Serving the people by regarding them as heaven" as

his motto, and led our revolution with love of the people and through politics of trust. The slogan, "We serve the people!" reflects the lofty popular traits of the Great Leader [yongdoja] Comrade Kim Chong-il. By upholding this slogan, the Great Comrade Kim Chong-il [widaehan kim chong-il tongji] dedicates everything to the boundless happiness of the people and to the prosperity of all generations.

The respected and beloved Comrade Kim Chong-il's love of the people and spirit of devotion to serving the people made the entire party and whole society overflow with a sense of loyalty and filial piety, and have become the source of matchless mass heroism of our people in our socialist construction.

The respected and beloved Comrade Kim Chong-il has united tens of millions of people as one with warm love of and trust in the revolutionary fighters and people, and he commands the entire party, all the people, and the whole army as one. Without his refined leadership, we would not be enjoying the reality that our singlehearted unity has been consolidated and a great turning point has been registered in all domains of the revolution and construction.

The history of the respected and beloved Comrade Kim Chong-il's popular leadership is the history of on-the-spot guidance. No place in our country is without traces of the respected and beloved general's great leadership. This year, too, the respected and beloved general constantly gave on-the-spot guidance to the People's Army units defending the fatherland, and encouraged our people and officers and men of the People's Army with unswerving might and courage.

By visiting people and soldiers, the respected and beloved Comrade Kim Chong-il inspired them to a new victory and exploits. His popular leadership is more firmly consolidating the unity and complete harmony [honyon ilche] between the leader [yongdoja] and our people.

With his great leadership traits, the respected and beloved Comrade Kim Chong-il has been able to attain immortal achievements in all domains of the revolution and construction — including the political, economic, cultural, and military domains — which has struck all the people with admiration, thus bringing forth boundless respect and trust from the people.

Today our party and people are faced with a valuable task of staunchly defending, protecting, and endlessly glorifying socialism of our own style, which the Great Leader Comrade Kim Il-song provided by dedicating his whole life. In order for the entire party, all the people, and the whole army to brilliantly carry this sacred task

to accomplishment, they should uphold the respected and beloved Comrade Kim Chong-il's leadership.

The Great Comrade Kim Chong-il's leadership is the everlasting lifeline of our revolution today, as in the past, and is the source of all victories.

Because of the respected and beloved [kyongaeahanun] Comrade Kim Chong-il's skilled and refined leadership, an endlessly brilliant future of the chuche-oriented Korea which is prosperous and grand exists and an ultimate victory in the chuche cause has been firmly guaranteed.

All the party members and workers must defend with a do-or-die spirit through politics, ideology, and life the respected and beloved [kyongaeahanun] Comrade Kim Chong-il, who is the center of the great leadership of our revolution and the center of unity. Even though we are faced with myriads of trials, we will have firm faith in and follow only the Great Comrade Kim Chong-il, and, while traversing the road of highly upholding the respected and beloved general's [kyongaeahanun changgunnim] leadership, we will be loyal and complete the final demonstration of filial piety to the leader [suryongnim].

Today, a firm revolutionary trait to thoroughly embody the Great Leader [widaehan yongdoja] Comrade Kim Chong-il's ideology and leadership has been firmly established throughout the whole party and society. This is the most precious result achieved in the worthwhile struggle of carrying out the revolution by highly upholding the respected and beloved [kyongaeahanun] Comrade Kim Chong-il. The respected and beloved [kyongaeahanun] Comrade Kim Chong-il's line and policy in all sectors and units of the revolution and construction must be adhered to as the life line, and must all the more highly manifest the trait of unconditional implementation.

The loyalty of our party members and workers who are highly upholding the respected and beloved [kyongaeahanun] Comrade Kim Chong-il's leadership must appear in the practical struggle of socialist construction.

Today, the great Comrade Kim Chong-il unfolded the magnificent plan to provide greater happiness to the people and the country's grandeur and prosperity, and is energetically leading the struggle for its realization. Everyone should vigorously create new miracles and innovations in the posts for which they are responsible. Here lies the road of fulfilling the duty of a fighter and follower of the great general [widaehan changgunnim].

All the party members and workers must highly manifest the revolutionary spirit of self-reliance and fortitude to thoroughly implement the party's revolutionary economic strategy. Also, everyone must be innovators and

creators of miracles and feats. Our functionaries, party members, and workers must uphold the party through practical work results and must be genuine loyalists and true patriots contributing to the fatherland's grandeur and prosperity.

The immortal revolutionary achievements accumulated over a long period of time by the respected and beloved [kyongae-haun] Comrade Kim Chong-il are an eternal asset making it possible to complete our revolution to the end. Herein lie all guidelines that are necessary for victoriously advancing revolution and construction by our people. All sectors and units must adhere to the great Comrade Kim Chong-il's leadership achievements like the apples of our eyes and endlessly elucidate them.

If we are to highly uphold the great Comrade Kim Chong-il's leadership and vigorously accelerate socialist construction, the role of party organizations must be all the more enhanced.

Party organizations of each echelon must endlessly intensify indoctrination work to loyally uphold the great Comrade Kim Chong-il's leadership amid the party members and workers in accordance with the demand of the developing reality.

Party organizations must vigorously carry out political work and work with the people so that the party members and workers can courageously overcome all difficulties they are faced with by having the victorious faith that if there is the respected and beloved General [kyongae-haun changgunnim] Kim Chong-il, we will be victorious. By doing so, everyone should vigorously launch the honor of a victor in today's "arduous march."

Today a bright future has been unfolded before our fatherland and nation.

Our party and people must firmly unite with one mind and will around the respected and beloved [kyongae-haun] Comrade Kim Chong-il and fight all the more tenaciously so they can complete to the end the chuche revolutionary cause which was pioneered by the Great Leader Comrade Kim Il-song.

DPRK: South Korean People 'Revering' Kim Chong-il

SK2706095996 *Pyongyang KCNA in English*
0802 GMT 27 Jun 96

[FBIS Transcribed Text] Pyongyang, June 27 (KCNA) — South Korean people of various social strata are ardently revering the great leader Comrade Kim Chong-il, Seoul-based radio Voice of National Salvation quoted the Seoul and Pusan City Committees of the National Democratic Front of South Korea (NDPSK) [SKNDF] as saying in their information.

In May a man surnamed Pak told a gathering of dissidents with the background of student activists that he had learnt a lot of things from witty remarks of the Leader Kim Chong-il.

He further said:

"Human history has never known such golden sayings as his popular witty remarks with implicit truth and profound philosophy.

"I can say it is the characteristics of his witty remarks that they are admired for their philosophical profundity, truth and popularity and accepted as one's favorite proverb."

Agreeing with him, the dissidents praised General Kim Chong-il's witty remarks as golden sayings full of truth and guideline of independent politics and voiced reverence for him.

Yi Yong-su, teacher of a high school and member of the Saeppyo Society, told his students who joined the society:

"If the relationship between the Leader Kim Chong-il and us is compared with celestial spheres, he is the sun and we are stars.

"The Saeppyo Society can never exist and the nation has no future without the leader Kim Chong-il, who throws bright rays of chuche.

"He is, indeed, the bright sun produced by our Tangun nation and the savior of the nation."

DPRK: Kim Chong-il Sends Thanks to Workers in Sunan District

SK0207031796 *Pyongyang KCNA in English*
0250 GMT 2 Jul 96

[FBIS Transcribed Text] Pyongyang, July 2 (KCNA) — The great leader Comrade Kim Chong-il sent thanks to the industrial and agricultural working people in Sunan District, Pyongyang, who participated in the construction project of dwelling houses at Sinjong Village of the Taeyang Cooperative Farm in the district.

They have built modern houses of a national architectural style in a short span of time out of desire to build up better Sinjong Village which the great leader President Kim Il-song had visited.

Comrade Kim Chong-il sent thanks to the officials of the Korean Haeyang Import Company for assisting the countryside with sincerity.

**DPRK: Kim Chong-il Socialist Economic Views
Lauded**

SK0307124496 *Pyongyang KCNA in English*
0850 GMT 3 Jul 96

[“Chuche-Based Theories on Socialist Economic Management” — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 3 (KCNA) — The Great Leader Comrade Kim Chong-il's work “Let Us Firmly Arm Ourselves With Chuche-Based Theories of Socialist Economic Management” is the only program of economic construction in our age which makes it possible to adhere to the revolutionary principles in socialist economic management and accelerate economic construction more dynamically, says MINJU CHOSON today in an article dedicated to the fifth anniversary of the publication of the work.

The work was published at a time when capitalism was being revived and the capitalist method of economic management introduced in former socialist countries due to the anti-socialist moves of the imperialists and opportunists.

It gives a comprehensive, profound exposition of the theoretical and practical questions arising in socialist economic management such as the basic principles, system, and method of economic management.

The article says:

The theories on socialist economic management expounded by the Workers' Party of Korea define it as the basic principles of economic management to properly combine political leadership with economic and technical guidance, the state's undivided leadership with creativity of all units, democracy with unified control, political and moral incentives with material incentives.

It also explains in a scientific way the party's leadership and the state's function as economic organizer in socialist construction, relationship between national economic organs and enterprises and between leading officials and producers, method of arousing the masses and other issues in managing socialist economy.

The basic principles of socialist economic management make it possible to adhere to the revolutionary principles of the working class in economic management and operating the economy in a scientific and rational way in conformity with the intrinsic nature of the socialist system.

**DPRK: Kim Chong-il Said Not To Take Power
This Year**

OW0407092696 *Hong Kong AFP in English*
0900 GMT 4 Jul 96

[FBIS Transcribed Text] Seoul, July 4 (AFP) — North Korea's de-facto leader, Kim Chong-il, will mourn for his father for another year even though the world is waiting “for the enthronement ceremony,” the North's official media said Thursday.

“The people and the world wait for the enthronement ceremony, but comrade Kim Chong-il created the communist outlook on morality... Nobler than hereditary customs, saying he would remain the mourner for three years,” the Korean Central News Agency said.

The dispatch, monitored here, was the first known confirmation by KCNA, the reclusive state's official mouthpiece, of reports that Kim Chong-il, son and heir of Kim Il-song, had further delayed assuming the country's top posts.

**DPRK: Photo Exhibition on Kim Il-song Opens in
Osaka**

SK0107033796 *Pyongyang KCNA in English*
0314 GMT 1 Jul 96

[FBIS Transcribed Text] Pyongyang, July 1 (KCNA) — A “photo exposition for retrospectively President Kim Il-song, the great star of the 20th century” opened in Osaka on June 27.

Displayed at the exposition were pictures showing the undying exploits performed by the great leader President Kim Il-song in carrying out the revolutionary cause of chuche, his famous works and a book “Greatness of Kim Chong-il.”

Present at the opening ceremony were officials of the General Association of Korean Residents in Japan (Chongnyon) including vice-chairman of its Central Standing Committee O Su-chin, Koreans in Japan, chairperson of the Japan-Korea Music and Art Interchange Association Mitsuko Ogasawara, chief secretary of the National Liaison Council of Societies for the Study of Kim Chong-il's Works Masaji Ie and other Japanese public figures, citizens and foreign guests.

**DPRK: Koreans From Japan Visit Kim Il-song's
Statue**

SK0207035596 *Pyongyang KCNA in English*
0252 GMT 2 Jul 96

[FBIS Transcribed Text] Pyongyang, July 2 (KCNA) — A delegation of officials of the General Association of Korean Residents in Japan (Chongnyon) headed by

Chairman of its Central Auditing Committee Hong In-hum, a sports team of Korean students in Japan led by Vice-Chairman of the Korean Amateur Athletes Federation in Japan Sin Su-kyong and home-visiting groups of Korean students in Japan, staying in the socialist homeland, visited the statue of the great leader President Kim Il-song on Mansu Hill on July 1.

They laid floral baskets and bouquets and made bows before the statue.

DPRK: CIS States Honor, Mark Death of Kim Il-song

SK0307121196 *Pyongyang KCNA in English*
0827 GMT 3 Jul 96

[FBIS Transcribed Text] Pyongyang, July 3 (KCNA) — The Russian Federation of Independent Trade Unions, the Uzbek Federation of Trade Unions, the Kyrgyz Federation of Trade Unions and the Kazakh Federation of Trade Unions set the period from April 15 to July 8 as a "period of retrospection the great life of the respected Comrade Kim Il-song" and conducted memorial services on the occasion of the second anniversary of the Great Leader President Kim Il-song.

The Russian Federation of Independent Trade Unions sponsored a lecture meeting on the subject "The Undying Revolutionary Exploits of the Great Leader Comrade Kim Il-song Will Remain Long in Human History" and a show of the video film "Comrade Kim Il-song Will Always Be With Humankind" at the Institute of Labour and Social Relations in connection with the setting of the period of retrospection.

The above-said Trade Union Federations of Uzbekistan, Kyrgyzstan and Kazakhstan organised DPRK photo exhibitions and video shows.

DPRK: People Show 'Ever-Growing Reverence' for Kim Il-song

SK0307123996 *Pyongyang KCNA in English*
0837 GMT 3 Jul 96

["Ever-Growing Reverence for President Kim Il-song" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 3 (KCNA) — Nearly two years has passed since President Kim Il-song, the great leader of the Korean people, passed away suddenly.

With the passage of time, the people have missed him more sorely because he loved them so much and devoted his all to them, mixing himself with the people and taking no day of rest in his whole life.

One day during the anti-Japanese struggle for national restoration, he personally broke a frozen stream and brought buckets of water to a peasant's house, saying the commander, too, was a son of the people. During the hard-fought Fatherland Liberation War, he lived a simple life, taking cooked millet as the people did. And he called at houses and dormitories of workers and tasted their bean paste and meal.

From the day of national liberation to July, 1994 when he ended his great life, he dedicated some 2,530 Sundays, birthdays and holidays, as many days as seven years, to the people. That is why the people are deeply lamenting his death.

Recollecting his deep loving care, the people are visiting his statues erected throughout the country.

Mansu Hill in Pyongyang has always been inundated by the people.

Every day hundreds of thousands of people including youths and servicemen climb the hill day and night to pay their respect to him. The number of visitors reaches one million in a day at maximum.

Seen among them are overseas Koreans and foreigners.

On the hill the people harden their belief that the president is always with them and resolve to accomplish the revolutionary cause of chuche, true to his lifetime intentions.

It is the unshakable will of the Korean people to hold him in high esteem for all ages.

Reflecting this will of theirs, the Kumsusan Assembly Hall where the president worked for many years, wisely leading the Korean Revolution and the cause of human independence, has been rebuilt to be Kumsusan Memorial Palace, the supreme holy palace of chuche, to preserve him in state.

In happy or difficult days the people visit the palace and renew their faith before him, resolved to complete the revolutionary cause of chuche under the guidance of the Great Leader Comrade Kim Chong-il.

DPRK: 'Epic' Marks Second Anniversary of Kim Il-song Death

SK0407084296 *Pyongyang KCNA in English*
0748 GMT 4 Jul 96

[FBIS Transcribed Text] Pyongyang, July 4 (KCNA) — An epic "Pyongyang Time Goes on Nonstop" dedicated to the Workers' Party of Korea has seen the light to mark the second anniversary of the Great Leader President Kim Il-song.

The main idea of the epic is that the Pyongyang time which began with the beating of the president's heart will go on nonstop because the Great Leader Comrade Kim Chong-il is creditably carrying forward the president's revolutionary cause, chuche socialism.

The poet, Kim Man-yong, had written the epic "Comrade Kim Il-song, our eternal leader" on his first anniversary last year.

The new epic says among other things:

The Pyongyang time saw that the president was born into a poor family that had no clock, left his home with the commitment to achieve the country's independence at any cost, provided the people with a new life and led the country to prosperity.

The Pyongyang time began with the beating of the president's heart and continued along with history, giving light to this land, enthusiasm to the people and energy to the motherland. The president's heart stopped beating in the line of duty for the people and the country.

Comrade Kim Chong-il determined to immortalise the early morning when the great heart stopped beating. Thanks to his noble morality and loyalty, the Kumsusan Memorial Palace was built as the supreme temple of chuche where the president is immortal as the sun.

The people and the world wait for the enthronement ceremony, but Comrade Kim Chong-il created the communist outlook on morality and loyalty for the first time in history, nobler than hereditary customs, saying he would remain the mourner for three years.

Looking up to him, the people heard the Pyongyang time ticking, the annals of the motherland flowing, the history of the president continuing and the ranks united with a single heart marching, though they all stopped when the president's heart stopped beating.

Comrade Kim Chong-il continues his visit to mountains in the front, posts in northern areas as well as people. This means that the president's ideology, leadership and virtues are immortal and that his great career, activities and history continue as ever.

Kumung Tunnel No. 2, the Chongnyu Bridge, the Hyangsan Motorway, the Yongmun Cavern, the 40-km-long waterway tunnel of the Kumgangsan power station and the monument to party foundation have taken shape as the president wished in his lifetime. This period has been consistent with noble morality and loyalty, and this time can never be measured with anything.

Thanks to Comrade Kim Chong-il's iron heart, the president's heart continues beating forever. Led by Comrade Kim Chong-il, our revolution will advance,

our socialism will boom and the Pyongyang time will flow forever.

DPRK: First Installment of Socialist Property Law
SK2706035496 Pyongyang MINJU CHOSON
in Korean 14 May 96 p 2

[Article: "Explanation of Law — On the Socialist Property Management Law (1)"]

[FBIS Translated Text] Recently, the Standing Committee of the Supreme People's Assembly adopted the DPRK Socialist Property Management Law.

The great leader [widachan yongdoja] Comrade Kim Chong-il has pointed out: "The properties of the state and social cooperative organizations are precious assets for the country's enrichment and development and the working people's happy lives, as well as important objects for protection by the law of the Republic."

Socialist property is a valuable gain achieved with our people's arduous struggle and creative labor, and it is also a solid foundation for the country's enrichment and development and the promotion of people's well-being. Accordingly, we should take good care of the country's property in order to expedite economic construction and improve the people's lives.

The recently adopted Socialist Property Management Law is a guideline for property management, and its adoption is an epochal step which provided a legal guarantee for the victorious advance of the socialist cause by further consolidating the socialist economic foundations like bedrock and by satisfactorily guaranteeing the people's independent and creative lives—which could be won by the people's arduous struggle to protect and manage well the country's precious assets.

The Socialist Property Management Law consists of seven chapters and 65 articles.

The first chapter on the basics of the Socialist Property Management Law stipulates the missions of the property management law and the principled demands arising in the course of guiding the socialist property management.

The Socialist Property Management Law stipulates, first of all, that its mission is to accelerate economic construction, consolidate and develop socialist ownership, and improve the people's material and cultural lives by setting up a system and order.

Generally, property is material wealth that satisfies the people's productive and consumptive demands. As a definite expression of material wealth, property is always defined by its ownership.

In any society, the creator of the material wealth is the working popular masses. However, its ownership differs according to the character of a social system. In an exploiting society, property is not owned by the working popular masses, who have accumulated it, but by the exploiting classes, and it has become a means for exploitation, suppression, and wealth acquisition. On the contrary, socialist property is owned commonly by the working popular masses, who have created it, and is a precious asset for the country's prosperity and the people's happy lives.

Our party's consistent line in managing property is that socialist ownership should be consolidated and developed, economic construction accelerated, and the people's lives improved by managing socialist property correctly.

In the past, thanks to the correct policies of the party and the state on socialist property management, a right direction and method for property management have been elucidated in our country in every phase and at every stage of the developing revolution. Socialist property, prepared with the people's arduous struggle and their creative labor, has been protected and rationally used in an exhaustive way, contributing positively to the country's prosperity and development and to improvements in the people's lives.

Today's reality, in which socialist economic construction is proceeding on a huge scale and the people's living demands are ever increasing, requires more tenacious management of socialist property.

What is most important here is to implement collectivist demands, because socialist society is based on collectivism.

Implementing collectivist demands in managing property means handling overall property management, including the classification, registration, appraisal, protection, use, and disposal of property, in accordance with the popular masses' interests and society's common demands.

Socialist society is based on collectivism. Accordingly, socialist property based on socialist possession should be managed in accordance with the independent and creative demand of the working popular masses. By doing so, socialist property can further consolidate and develop the socialist system and actively contribute to improving people's lives.

The Socialist Property Management Law specifies the mission of the property management, based on the characteristic of socialist property and the fundamental demands of socialist society. It also stipulates that satisfying collectivist demands is an important matter in man-

aging property. The enactment of this law has provided a legal guarantee to further consolidate the material basis of the socialist system, accelerate national economic construction, and constantly improve people's lives by thoroughly implementing the property management policy of the party and state.

The Socialist Property Management Law also specifies principled demands in managing socialist property and guiding management. The demands in managing socialist property are to correctly select people in charge of managing property and to enhance the role of the popular masses, the masters of property management.

There is both state and cooperative ownership in a socialist society because of the society's transitional character. Therefore, the right to manage property is divided according to the type of ownership, and property is also managed according to the type of ownership.

Based on the elucidated nature of socialist property, the property management law stipulates that state-commissioned organs, enterprises, and groups shall manage state-owned property, and that cooperative-owned property shall be managed by the pertinent cooperatives of the society. This provision enables relevant units to enhance their responsibility and role in managing socialist property and thoroughly manage all property of the state without dropping anything.

It is a fundamental demand of the socialist property management system to enhance the role of the popular masses, the masters, in managing property.

Socialist property is, by nature, what the people earned, and it is owned by them all. To properly manage, treasure, and love socialist property is important for the country, the people, the prosperity of each of us, as well as our descendants. It is also a sacred duty of citizens. When the popular masses are well aware of their position as masters in charge of managing socialist property, and when they enhance their responsibility and role, it becomes possible to establish a thorough system and order for managing property and to carry out socialist construction even better.

The Property Management Law correctly embodies the popular masses' demands and interests in managing property and stipulates the issue of managing property based on their voluntary zeal and creative wisdom. The law also stipulates the issue of leading the popular masses to treasure and manage the country's property with love by strengthening indoctrination in socialist patriotism among them.

By doing so, the Property Management Law most correctly embodies the independent demands and interests

of the popular masses, who are the masters in socialist property management. It also provides a firm legal guarantee for realizing people-oriented and voluntary property management, relying on the popular masses' voluntary and creative zeal and wisdom.

The Property Management Law also stipulates the principled demands arising in guiding the socialist property management work.

Guiding the socialist property management work in a goal-oriented way is a firm guarantee for socialist economic development.

Guiding the property management work in a goal-oriented way means to lead all works—such as the registration, protection, and use of property—to be carried out as scheduled with a correct goal and direction.

Only when we guide the property management work in a goal-oriented way can we ensure that the state's unified guidance is properly combined with each unit's initiative in property management work and that a planned property management is carried out. Thereby, we can ensure that the property management work actively contributes to enriching and developing the country and to promoting the people's living standards by increasing the rate of utilization of property.

The law stipulates that the initiative of organs, enterprises, and groups should be enhanced by strengthening the unified guidance for property management and that property management be carried out in conformity with the demands of the unified planning and detailed planning. This becomes a guarantee for making it possible to realize the state's guidance for the property management work in a goal-oriented way.

Carrying out socialist property management in a scientific and reasonable way is an important demand arising in guiding the property management work.

Property management is a difficult and enormous work that covers all areas in the country and all fields. It is also a complicated work that requires different scientific and technological measures according to the kinds of property.

To smoothly carry out such enormous and complicated work, it is imperative to correctly establish a property management system, to improve property management methods, and to conduct property management based on scientific calculation and statistics. It is also imperative to increase investments in this sector, to strengthen scientific research activities for property management, and to modernize means of property management.

Proceeding from these requirements, the recently adopted Property Management Law stipulates the

regulations of correctly establishing a property management system in conformity with the demands of the Taean work system; improving the property management method; correctly ascertaining the status of property based on calculation and statistics; increasing investment in property management in a systematical manner; and actively introducing advanced scientific and technological successes in managing property so that property management can be conducted in a scientific and reasonable way.

These legal stipulations in the Property Management Law makes it possible to more property realize the state's unified and scientific guidance to the enormous and complicated socialist property management.

Furthermore, the Socialist Property Management Law stipulates the procedures and methods that arise in managing property.

All functionaries and the working people should correctly realize the contents in the Socialist Property Management Law and should thoroughly embody the demands contained in the law. Thereby, they should actively contribute to enriching and developing our country, our fatherland.

DPRK: Second Installment of Socialist Property Law

*SK2906135696 Pyongyang MINJU CHOSON
in Korean 16 May 96 p 2*

[Article: "Explanation of Law — On the Socialist Property Management Law (2)"]

[FBIS Translated Text] The great leader Comrade Kim Il-song taught: "The properties of the state and society are all earned by the people, and accordingly, are the common ownership of the people."

In Chapter Two of the Socialist Property Management Law on the classification of socialist property, the forms and methods of the socialist property law are scientifically defined.

Classifying socialist property is a prerequisite to correctly carrying out the management of socialist property, as well as a compulsory demand to upgrade its management by correctly knowing in detail the actual conditions of the property.

When socialist property is correctly classified in accordance with certain criterion, the limits of property management and its allotment can be established in a proper manner. By doing so, the responsibility of relevant sectors can be further increased, and the methods of managing property in a reasonable way can be improved.

The Socialist Property Management Law categorizes socialist property into state property and the property of social cooperative organizations, based on the form of ownership.

Categorizing socialist property according to the form of ownership is an issue that has been raised by the transitional character of a socialist society. In a socialist society, because of its transitional character, there are two forms of socialist ownership: state property that belongs to all-people ownership, and property of social cooperative organizations that belongs to cooperative ownership.

State-owned property, property accumulated by state investments, property created by complexes investing on their own, and property whose rights of ownership have been transferred from an organization or a citizen to a state organ or complex are all considered state property. The right of ownership of state property can only be possessed by the state, which represents all the people; the state achieves its management through government agencies, complexes, and organizations.

The property of social cooperative organizations includes property whose rights of ownership are handed over from a government agency, a complex, or a resident to a pertinent social cooperative organization, and property that was accumulated by an organization on its own. Social cooperative organizations manage their own property in conformity with the rules of cooperative organizations. Even though the socializing degree of the property of cooperative organizations is lower than that of state property, it still belongs to the category of socialist property since it is the common ownership of the working people within the cooperative economy, and thus becomes property of all-people ownership.

Seeing as the classification of socialist property is precisely stipulated based on types of ownership, a legal guarantee has been provided for the state to smoothly conduct unified and designed guidance as regards property management, and to completely protect property.

The Socialist Property Management Law also classifies socialist property into natural resources, fixed property, and floating property in accordance with the hallmarks of each property.

This classification is a crucial demand with respect to the scientific and rational management of property. When socialist property is categorized according to its characters, only then can property be protected and used scientifically and rationally, and the specialization of property management realized.

Natural resources are useful items that are in use or able to be used for the people's economic life. Land, forest, underground resources, and marine resources are natural resources.

Fixed property wears out gradually in the process of use, and serves productive or unproductive functions. Buildings, machines, various books, natural monuments, and cultural relics are fixed property.

Floating property is completely consumed in the process of the production cycle, thus converting its value into products. Various raw materials, materials, and unfinished and half-finished goods belong to this category.

The Socialist Property Management Law also classifies socialist property into real estate and personal estate. The former is immovable, the latter easily movable.

Through a concrete and scientific categorization based on the kind of objects, the Property Management Law has introduced a legal guarantee to technically and rationally manage property in kind.

Chapter Three of the Socialist Property Management Law—on the registration, evaluation, and factual accounting of socialist property—regulates the systems and means of registration, evaluation, and factual accounting of socialist property.

This work is to grasp and record the registration, evaluation, and factual accounting of socialist property without missing anything; to rate their values; and to canvass the status of property.

Most of all, the property management law stipulates the systems and methods for registering socialist property.

Registering property refers to examining and grasping its management in detail. In other words, registering the state's social property refers to the work of routinely and systematically documenting and calculating the capability of a property, the term of its usage, its technical and economical contents, the sum of its worth, and any increases in the property.

The property management law stipulates that the property should be registered by itself and by the state. In the event the property is evaluated, state registration should be made according to the rules, and should be made in kind and in money.

The property management law also stipulates the system and method of evaluation and of factual accounting of socialist property.

When the work of evaluating socialist property is carried out effectively, the value of the property and its managerial and utility level can be exactly analyzed.

and management of the socialist property, the scope of that management, and the duration of that management can be correctly decided upon.

Conducting factual accountings of socialist property refers to comparing the actually-used property with the numbers documented in a registry book. When factual accounting of socialist property is carried out without a hitch, the amount in kind and its actual condition can be known exactly, and necessary steps can be mapped out at the proper time for property management.

The property management law stipulates that the evaluation of socialist property shall be made according to the value of the property, and the reevaluation will be made when the wholesale price of the property changes and other reasons are raised. The law also stipulates that this work shall be carried out by pertinent state-commissioned organs, including price standardization and central banking organs.

The law also stipulates that factual accounting of socialist property shall be classified into routine surveys, ad hoc surveys, and overall surveys; factual accounting shall be conducted by comparing the volume in kind and the actual conditions of the natural resources, of fixed property, and of floating property with relevant technical documents and registry books.

The Socialist Property Management Law fixes registration, evaluation, and factual accounting of socialist property by law. By doing so, it has established a system and order in property management, has correctly grasped and thoroughly managed all property, and has provided a firm guarantee to ensure its reasonable usage.

Functionaries and working people should carry out the classification of socialist property and the work of registration, evaluation, and factual accounting according to the requirements of property management law, thus improving and strengthening property management work.

DPRK: Third Installment of Socialist Property Law
SK3006142896 Pyongyang MINJU CHOSON
in Korean 21 May 96 p 2

[Article: "Explanation of Law — On the Socialist Property Management Law (3)"]

[FBIS Translated Text] The great leader [widaehan yongdoja] Comrade Kim Chong-il pointed out:

All party members and working people should value the common property of the state and society as their own. They should use the property thriftily, mobilize internal reserves to the maximum, and make more and better quality goods with existing equipment and materials.

Chapter 4 of the Socialist Property Management Law is on protecting socialist property. It stipulates the responsibilities of agencies, enterprises, and organizations in protecting their property, and ways to implement the responsibilities.

Protecting socialist property is an important requirement for preventing property damage and preserving and increasing property well.

The work to protect property must be carried out well so that the valuable property of the country and people is protected from all damage, and so it better serves the development of people's economy and the improvement of the people's welfare.

The Property Management Law first defines the responsibilities of agencies, enterprises, and organizations in protecting property.

An important feature in protecting socialist property is work to protect property in accordance with the characteristics of the work in a well planned and farsighted manner, and to guarantee a high degree of responsibility and scientific methodology in protecting property. To this end, material and technical means for preventing damage to socialist property must be provided in accordance with the technical index and demands, and the standard manual for protecting and managing fixed assets must be followed. Property must be stored in a place that meets the technical and safety conditions of the property and protected using a method that suits the biological characteristics of the property. Detailed protective measures must be established to prevent property from being damaged by harmful materials or unfavorable weather or earthquakes. A strict order must be established so that one does not modify the structure or form of the property without establishing a premeditated prevention and maintenance system for fixed assets or obtaining approval from the concerned agency.

In addition to defining the responsibilities of agencies, enterprises, and organizations, properly defining how the responsibilities are implemented is also important to property carrying out the work to protect socialist property.

The Property Management Law stipulates that agencies, enterprises, and organizations should actively conduct mass movements, such as "the movement to learn after Unit No. 26 and create a loyal exemplary unit" in order to protect property. They should also regularly have a day for checking and inspecting equipment.

"The movement to learn after Unit No. 26 and create a loyal exemplary unit" is a mass equipment management

movement for improving production capacity and standards for technical equipment by methodically maintaining machinery, which is the valuable property of the country and people, with an attitude of being the master; by effectively utilizing equipment; and by ceaselessly modifying equipment technically. In protecting property, "the movement to learn after Unit No. 26 and create a loyal exemplary unit" and other mass movements must be vigorously conducted so that a broad range of the masses can be mobilized to satisfactorily work to protect property through their enthusiasm and creativity.

The Property Management Law also clearly defines the limits and shares of agencies, enterprises, and organizations' responsibilities for protecting socialist property, and it designates responsible functionaries and working people as property managers. The law designates property protection zones for state protection of socialist property, and designates a month of love for socialist property as a way to implement the work to protect socialist property.

By stipulating in law responsibilities and ways to implement responsibilities, a guarantee has been provided for protecting the valuable property of the country and people from all sorts of damage.

Chapter 5 of the Socialist Property Management Law is on utilizing socialist property. It stipulates the principles for agencies, enterprises, and organizations to reasonably and effectively utilize socialist property in accordance with their missions.

The utilization of socialist property is the work to use and handle property purposefully.

We must unsparingly mobilize socialist property and use it reasonably, produce more goods with existing equipment and material, and thereby accelerate the country's economic development. We must increase internal reserves and unceasingly increase production and construction so as to further strengthen the socialist economic base and actively contribute to improving people's living standards.

In order to use socialist property reasonably, it is important to maximize the use of property.

To maximize the use of property, organizations, enterprises, and groups should do proper technical and economic calculations and should positively adopt advanced techniques and know-how; state planning organizations and pertinent organizations should scientifically establish technical and economic standards concerning the utilization of socialist property, and should incessantly renovate them in accordance with the demand of the developing era. In addition, they should

correctly establish the range of property utilization; distribute property for efficient utilization; and mobilize and utilize property at its maximum without idling or hoarding the property.

By doing so, one can use socialist property with maximum efficiency to meet one's mission, then contribute to developing the economy.

An important factor in the reasonable use of socialist property is to efficiently use fixed property and correctly use the economic aspects of property.

The effective use of fixed property is linked with its place in producing material wealth. Organizations, enterprises, and groups should revamp their relevant fixed property into more efficient property in order to meet the demand of making the people's economy modern and scientific, and should renovate the property according to plan. They should also warrant the terms of use for fixed property; keep in order such things as newly-formed or mended fixed property and fixed property that changes its service; and apply a depreciation system to productive fixed property.

To correctly use the economic aspects of property, the Property Management Law stipulates the need to correctly calculate the use of property and to correctly calculate such economic aspects of property as prices and cost prices.

By comprehensively stipulating principled matters emerging from using property efficiently and rationally, the Socialist Property Management Law actively protects and maximizes the use of the socialist property created by our people, then provides a firm legal guarantee to further cement the basis of the socialist economy.

Functionaries and workers should be well aware of the legal requirements as regards the protection and use of socialist property, and should positively protect and effectively use socialist property according to the legal requirements.

DPRK: Fourth Installment of Socialist Property Law

*SK0207134296 Pyongyang MINJU CHOSON
in Korean 23 May 96 p 2*

[Article: "Explanation of Law" — On the Socialist Property Management Law (4)]

[FBIS Translated Text] The great leader [yongdoja] Comrade Kim Chong-il has indicated: "State property and social, cooperative organizations' property are valuable assets for enriching and developing the country and

for the working people's happy life. They are also important targets for protection by the Republic's law."

Chapter 6 of the Socialist Property Management Law is about the disposition of socialist property. It stipulates the procedures and methods for disposing of socialist property.

The disposal of socialist property refers to the work of selling, transferring, and abolishing property. In other words, it means to supply, sell, and buy produced goods; to transfer and receive property; and to dispose of and dump unusable property.

Correctly disposing of socialist property is one of the important demands in managing property. Machines, facilities, raw materials, and other property of the state and society are precious assets to accelerate the country's economic development and to promote the people's standard of living. Therefore, we should thoroughly protect socialist property and mobilize and utilize it to the maximum and effectively. At the same time, we should properly dispose of it. Only by so doing can we further strengthen the system and order in managing property and achieve greater success in socialist construction.

The Property Management Law stipulates, first of all, principles in managing the property of organs, enterprises, and groups.

Organs, enterprises, and groups should dispose of property according to the state's plan and contract, the decision and instruction of relevant state organs, and the decision of groups. This is not only the inherent demand of the socialist planned economy, but also a problem which proceeds from the mission of socialist organs, enterprises, and groups which move under the state's unified guidance.

Only when we dispose of socialist property according to the state's plan, decision, and instruction can we do away with a phenomenon of indiscipline and thoroughly establish system and order in disposing of property and smoothly ensuring the planned development of the socialist economy.

In disposing of socialist property, it is important to correctly regulate not only the principle of disposing of property, but also its procedures and method.

Only by correctly regulating the principle and method of disposing of property can property disposal be carried out in conformity with the interests of the state while the centralized guidance of property disposal is smoothly guaranteed.

The Property Management Law stipulates in detail the procedures and method for sale, transfer, and

abolition of property. What is important here is first of all to properly dispose of produced goods which occupy much weight in socialist property. Produced goods are the socialist property produced for supply, sale, and purchasing. Therefore, organs, enterprises, and groups should supply, sell, and purchase produced goods through supply companies, sales companies, or commercial organs, food administration organs, and enterprises.

It is important to properly carry out not only the work of disposing produced goods, but also the work of transferring property. Transferring of socialist property refers to handing that property which is no longer needed, which is in surplus, and which remains unused over to other organs and enterprises so they can be more economically and effectively utilized.

In this, there is the transferring of property between state organs, between enterprises, and between state organs and enterprises and cooperative groups.

When transferring property there should be agreement and approval from organs concerned according to the size and value of the property. Organs, enterprises, and groups can send socialist property to other countries after receiving agreement and approval from organs concerned.

It is also important to properly carry out the work of abolishing socialist property. The abolition of property is carried out when fixed assets are worn out or when they lose their usefulness for some reason.

When property has lost its usefulness, organs, enterprises, and groups should abolish it with the agreement and approval of organs concerned and delete it from the registration list.

The Property Management Law, by correctly stipulating the principle, procedures, and methods for disposing of that socialist property which has been unused, which has been in excess, or which has outlived its usefulness, provides a legal guarantee for further accelerating the country's economic development and promoting the people's material and cultural life.

Chapter 7 of the Socialist Management Law is about the guidance to and control of the management of socialist property. It stipulates matters related to the state's guidance to and control of socialist property management work.

Strengthening the guidance to and control of socialist property management work is an important guarantee for enhancing the sense of responsibility and role of those who are in charge of property management. It is also an important guarantee for regularizing property

management work at a high plane by preventing property from being damaged.

The Property Management Law stipulates, first of all, the state's unified guidance system of socialist property management work. Unified guidance to the socialist property management work is conducted by the Administration Council. The Administration Council should establish a correct guidance system of property management and should grasp and guide property management work on a regular basis.

Property management guidance organs should properly guide organs, enterprises, and groups so they can properly manage socialist property. State planning organs, labor administration organs, and financial and bank organs should provide labor force, facilities, materials, and funds which are needed in socialist property management work.

Along with the state's unified guidance to socialist property management, it is also important to strengthen supervisory and control work.

According to the Property Management Law, the supervisory and control work to prevent such incidents as damage, waste, dead storage, and loss of socialist property should be carried out by property management guidance organs and supervisory and control organs concerned. Therefore, property management guidance organs and supervisory and control organs concerned should strengthen their supervisory and control work to establish property management order.

As the problems related to the guidance to and control of socialist property management have been correctly prescribed, a firm legal guarantee for strengthening the state's unified guidance to property management organs and for thoroughly establishing system and order in property management work has been provided.

In addition to this, the Property Management Law stipulates detailed problems arising in the disposal of property and in the guidance and control of property management work.

All functionaries and the working people should correctly realize the importance and significance of the socialist property management work and carry out in a responsible manner the work of managing property as called for by the Property Management Law. In this way, they should achieve great success in the rewarding struggle to further enrich their country, their fatherland.

DPRK: Development of Kungangsan Power Plant Construction

*SK0207132696 Pyongyang Korean Central Broadcasting Network in Korean
2100 GMT 29 Jun 96*

[FBIS Translated Text] The following is a report by station reporter Choe Su-kil from the Kungangsan Power Plant construction site.

Soldier-builders of the Kungangsan Power Plant, who are creating new miracles and innovations every day by highly upholding the great leader's [widaehan suryongnim] large-scale nature-remaking projects and the orders of the respected and beloved [kyongachanun] Supreme Commander Comrade Kim Chong-il, successfully carried out the opening ceremony for the 100-ri large-scale waterway tunnel.

The 100-ri large-scale waterway construction, a large-scale hydraulic structure in which streams and rivers which flowed in a wide region in Kangwon Province were gathered into one place was proudly completed in just a few years. The work was vigorously carried out by one-is-a-match-for-100 soldier-builders in the struggle to thoroughly implement the militant task given by the respected and beloved general [kyongachanun changgunnim] in his on-the-spot guidance. This construction was completed considerably earlier than the scheduled date. Thus, a spout of water passed through the 100-ri large-scale waterway tunnel.

On this day, in the 100-ri large-scale waterway tunnel, which is linked with the control reservoir dam, a fierce spout of water was turned into raging waves and flowed into the control reservoir dam, thus forming a sea.

This wonderful miracle is rare in the history of hydraulic construction. The waterway of all the streams and rivers flowing into the West Sea was directed into the East Sea by following the 100-ri large-scale waterway tunnel. This is a lofty fruition born from the do-or-die determination and gun and bomb spirit of invincible victory of the one-is-a-match-for-100 soldiers of the People's Army to unconditionally and thoroughly implement the order of the respected and beloved [kyongachanun] comrade supreme commander.

DPRK: 50th Anniversary of National Economics University Noted

*SK0107133796 Pyongyang KCNA in English
0832 GMT 1 Jul 96*

[FBIS Transcribed Text] Pyongyang, July 1 (KCNA) — The University of National Economics is a centre which trains native cadres who will play a pivotal role in state and economic management.

Over the past 50 years, the university has trained a large number of competent state and economic management officials, thus making a great contribution to strengthening the people's power and stepping up the revolution and construction.

On the occasion of the 50th anniversary of the university, NODONG SINMUN June 30 ran an article on the undying leadership feats of the great leaders President Kim Il-song and Comrade Kim Chong-il in the training of state and economic management officials.

The author of the article said:

President Kim Il-song and Comrade Kim Chong-il put forward the perfect chuche-based idea and theory on the state and economic management and took measures to train officials into core elements of the revolution who are boundlessly loyal to the party and the leader.

It was thanks to their energetic leadership that the university could strictly maintain its revolutionary character as a cadre training centre of the Workers' Party of Korea and prepared all the teachers and students firmly to be true loyalists and vanguard fighters of the revolution who absolutely trust and follow only the party and the leader.

DPRK: Article on Vigilance To Defend Nerve Center of Revolution

SK0307115096 *Pyongyang NODONG SINMUN in Korean 15 Jun 96 p 2*

[Article by reporter Pak Chol-ho: "A Brilliant Tradition of Defending the Leader [suryong] — Revolutionary Vigilance of the 7th Regiment Members"]

[FBIS Summary] During the days of the long and trial-laden anti-Japanese war, the headquarters of the revolution [hyongmyongui saryongbu] was constantly exposed to dangers.

Frightened by the Korean people's intensifying anti-Japanese liberation struggle, Japan waged an unprecedented reactionary offensive in order to hold back the Korean people's revolutionary vigilance and advance, targeting the nerve center of the Korean revolution [chonsu hyokmyongui sunoebu].

The Japanese imperialists' punitive offensive and conniving ruses to harm the headquarters of the Korean revolution were beaten back every step of the way by the heroic struggles of the Korean People's Army [KPA], including the 7th Regiment. Thus the security of the headquarters was guaranteed. [article dwells on the feats displayed by the 7th Regiment in the anti-Japanese revolutionary war led by Kim Il-song in the 1930s.]

The spirit of loyalty and the death-defying struggle of the 7th Regiment always protected and defended the headquarters of the revolution [hyokmyongui saryongbu] like a fortress and helped the Korean revolution advance to victory through thick and thin.

Although there is presently no actual exchange of gunfire, all of our party members, working people, and KPA soldiers should defend the nerve center of the revolution [hyongmyongui sunoebu] by following the sublime example of the 7th Regiment during the anti-Japanese revolutionary war and maintain high revolutionary vigilance at all times.

DPRK: Peace, Reunification on 'Three Principles' Stressed

SK0407033096 *Pyongyang KCNA in English 0326 GMT 4 Jul 96*

["NODONG SINMUN Calls for Peace, Reunification in Line With Three Principles" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 4 (KCNA) — NODONG SINMUN today calls on all the nation to pave the way for peace and peaceful reunification on the basis of the three principles of national reunification — independence, peaceful reunification and great national unity — put forward by the great leader President Kim Il-song.

In an editorial article dedicated to the 24th anniversary of the historic July 4 joint statement between the North and the South of Korea, the daily says:

Since the joint statement was published, the three principles have become the nation's common programme for reunification which the North and the South confirmed and made public and the reunification movement of the Korean nation has made a new historic march on their basis.

Over the past 24 years the Workers' Party of Korea and the DPRK government have always valued the purpose and principles of the joint statement and made all sincere efforts to carry them into effect.

South Korea's successive rulers, however, have totally negated the three principles and engaged in anti-national, anti-reunification acts, going against the statement and the principles.

Especially, the Kim Yong-sam group's barbarous acts have driven the inter-Korean relations into the worst phase and put higher hurdles in the way of national reunification.

Under this situation, all the Koreans who want the peace of the country and the security of the nation

should invigorate the nationwide struggle in close unity to thwart the Kim Yong-sam group's reckless confrontation and war preparations against the North and punish the separatists.

If all the compatriots who truly hope for the country's reunification rise up in the struggle for reunifying the country through confederation, the nation's common format based on the three principles, those who want to keep Korea divided indefinitely and their foreign supporters will be baffled in their separatist efforts.

MINJU CHOSON also carries an article titled "Three Principles of National Reunification Are Reunification Program Common to the Nation."

The Korean people will surely win national reunification in line with the fair and aboveboard policies and proposals put forward by the respected leader Comrade Kim Il-song and under the wise guidance of the great leader Comrade Kim Chong-il, the daily stresses.

South Korea

ROK: Individuals Register U.S. Internet Domain Names of ROK Firms

SK2806040696 (Internet) *The Digital Chosun Ilbo*
WWW in English 1153 GMT 27 Jun 96

[FBIS Transcribed Text] Recently, it was found that the names of VIPs and major conglomerates were "stolen" and registered by domain hunters at Internic in the U.S., which administers Internet domains. Anyone can register several names at Internic, but once a name is bought, that person becomes the sole proprietor regarding its use.

Hwang I-sok, with over 1,000 domains, holds the rights to the most names. On June 12, he registered President Kim Yong-sam's name as Kimyoungsam.com. He has also registered opposition leader Kim Tae-chung's name and ruling party politician Yi Hoe-chang's name. Among the conglomerates' names he has registered are Hyundai, Ssangyong, Haitai, and Kolon. In addition to this, Hwang has registered kimchi, a traditional Korean pickled cabbage side dish, and Pusan, a port city south of Seoul. Someone has also already registered Seoul.

The Haitai group is said to have contacted Hwang, but was unable to gain the rights to its name because Hwang asked for an inordinate sum of money. It is said that Hyundai faced a similar problem. Hwang says the reason why he registered so many names was because no Korean companies had an interest in securing their domains, so in the event that foreigners registered them, there would be much more damage. Consequently, he registered these names first. He also emphasized that he is not asking money like foreigners would.

ROK: Kim Yong-sam Sends Condolences to Saudi King Over Bombing

SK2806040096 *Seoul YONHAP in English*
0206 GMT 28 Jun 96

[FBIS Transcribed Text] Seoul, June 28 (YONHAP) — South Korean President Kim Yong-sam sent a telegram Friday to Saudi Arabian King Fahd Bin-'Abd-al-'Aziz Al Sa'ud to offer his condolences to the victims of the devastating bomb blast in Dhahran, Saudi Arabia, Wednesday.

President Kim strongly denounced all types of terrorism that may jeopardize peace and stability in Saudi Arabia, noting that South Korea has traditionally maintained a firm anti-terrorism policy.

Since establishing diplomatic relations in 1962, South Korea and Saudi Arabia have maintained close relations in trade and energy as well as cooperative international ties.

ROK Plans To Lift Curb on Shelf Life of 44 Food Items

SK2806040996 *Seoul THE KOREA HERALD*
in English 28 Jun 96 p 3

[FBIS Transcribed Text] Beginning July 1, the shelf life of 44 food items, including vacuum-chilled packaged meat and frozen food products, will be set by the manufacturers themselves, the Ministry of Health and Welfare announced yesterday.

Also included in the list are food products with a shelf life of three months or longer.

The shelf life of food product items has so far been set by the government.

"The measures are in line with the government's food industry as well as an agreement over the shelf life of food products during talks between Korea and the United States last July," said Sin Tong-kyun, a ranking official of the ministry.

"After collecting opinions from every part of society, we decided to allow manufacturers to set by themselves the shelf life of their products."

ROK-U.S. Trade Action Group Discusses Textiles, Visa Issues

SK0507093696 *Seoul YONHAP in English*
0929 GMT 5 Jul 96

[FBIS Transcribed Text] Seoul, July 5 (YONHAP) — The United States will positively consider paying compensation to South Korea for the damage caused by the change in the certificate of origin system for

imported textile and textile products, a Foreign Ministry official said Friday.

Quoting U.S. officials who attended the Trade Action Group (TAG) meeting held in Seoul, International Trade Bureau Director General Choe Hyok said that "The U.S. side promised that it will pay positive consideration to the demand by South Korea that the U.S. pay compensation for the damage if Seoul provides adequate information."

The U.S. recently changed its certificate of origin system in which South Korean textiles exported to China for processing are included in the total South Korean textile export quota to the United States, thereby reducing South Korea's direct export of textiles to the United States.

During the trade talks, South Korea also demanded that the United States provide Seoul with the full information about the Food and Drug Administration's regulations on inspection and quarantine system for imported foods, Choe said.

Seoul pointed out that U.S. airports and seaports have different inspection and quarantine standards, effectively preventing or delaying clearance of over 20 million dollars worth of South Korean foods and agricultural products annually.

The U.S. side fell short of responding to the request by Seoul to sign a visa waiver agreement but said that it will take necessary measures to expedite visa issuance especially during the summer holiday season by temporarily reassigning political and economic affairs staffs to the consular section.

The U.S. officials were quoted by Choe as saying that Ambassador James Laney and the U.S. embassy here fully support the signing of the visa waiver agreement but the U.S. administration needs legislation of the U.S. Congress for such an agreement.

Over 75 percent of the visa applicants received visas without undergoing interviews last month, according to Choi.

The U.S. side meanwhile demanded that South Korea guarantee 50 year's retrospective intellectual property rights (IPR) under the Berne Convention in IPR but the Seoul side insisted that there exists no internationally acceptable interpretation of the clause on the retrospective rights to the IPR.

On the wider access of U.S. telecommunications firms to the Korean market, Seoul dismissed the issue as one which should be dealt with in the World Trade Organization (WTO) framework rather than on a bilateral basis.

The two sides agreed to have another round of TAG talks at the end of July.

ROK Decides To Convey Position to U.S. on Sharing Intelligence

SK0407031196 Seoul KYONGHYANG SINMUN in Korean 4 Jul 96 p 2

[Report by Yi Pyong-kwang]

[FBIS Translated Text] It was learned on 3 July that the United States recently obtained proof North Korea exported missiles to Iran and Egypt, but concealed this from the ROK.

Under the ROK-U.S. alliance system, the two countries share major intelligence concerning North Korea. This incident is of grave concern because it reveals a loophole in the ROK-U.S. alliance.

An ROK Foreign Ministry official stated: "The United States confirmed that Iran and Egypt recently purchased North Korean missiles through the North Korean Changgwang Credit Corporation. In the 12 July issue of a government publication, the United States said it imposed sanctions in reaction to the missile sales, but told the ROK it was merely renewing the expired sanctions imposed against the 1992 deal. However, it was later confirmed the sanctions are additional ones in retaliation for the recent sales."

Another official said: "The United States concealed the missile deal between Egypt and North Korea possibly out of consideration for its relations with Egypt and the ROK."

Judging that the United States might make excessive concessions to induce North Korea to the Missile Technology Control Regime, the ROK Government has decided to convey its position to the United States.

ROK: DPRK Mourning Period for Kim Il-song 'Extended' to Jul 1997

SK0407005896 Seoul YONHAP in English 0058 GMT 4 Jul 96

[FBIS Transcribed Text] Tokyo, July 4 (YONHAP) — North Korea has decided to extend the mourning period for its late leader Kim Il-song until July next year, the TOKYO SHIMBUN reported Thursday, citing an informed source.

The report quoted the source as saying that the North Korean people still hold the late leader in such high esteem that they want to mourn until the third anniversary of his death in July next year.

This is why Pyongyang has extended the mourning period, he was further quoted as saying.

But the real reason behind the decision is that because of the economic crisis, especially the severe food shortages, Kim Chong-il is not in a position to formally succeed to his late father as head of the Workers' (Communist) Party and concurrently of state, the vernacular newspaper said.

In January, North Korean Ambassador to China Chu Chang-chun hinted that Kim Chong-il would formally take office as general-secretary of the party and state president in July when the country marks the second anniversary of Kim Il-song's death.

ROK: Minister Kwon: Kim Chong-il May 'Assume Power Next July'

SK0507061496 Seoul YONHAP in English
0553 GMT 5 Jul 96

[FBIS Transcribed Text] Seoul, July 5 (YONHAP) — North Korea's de facto leader Kim Chong-il is expected to formally assume power next July, National Unification Minister Kwon O-ki said Friday.

"Top North Korean leaders, including Supreme People's Assembly Chairman Yang Hyong-sop, have recently remarked that since Kim Il-song was an extraordinary person, his mourning will be observed for three full years," he said.

The concurrent deputy prime minister made the remarks while giving a lecture at a meeting hosted by the Korea Local Policy Research Institute.

Pyongyang has been saying that Kim Chong-il, at the end of the mourning period for his late father, would formally assume the posts of state president and general secretary of the ruling Workers' Party, the official noted.

On the situation in the North, Kwon said, "Although its brim is collapsing, North Korea is being ruled by Kim Chong-il who has tight control over the party and the military."

Kwon also gave high marks to the light-water reactor project by the Korean Peninsula Energy Development Organization (KEDO) for the North, calling it the area of biggest progress in the South-North Korean relations.

"A KEDO-style approach to North Korea could result in great achievements."

The cost of the two light-water reactors to be constructed in the North is expected to be fixed within the year, Kwon said, disclosing that the Korea Electric Power Corp., the main contractor for the project, is scheduled to submit a detailed estimate of costs to KEDO on or around July 15.

The cost will be higher than that of the Uljin Nos. 3 and 4 model reactors due to inflation and transportation expenses, he added.

Kwon hinted that the government would frown upon a "pan-national rally" scheduled to be sponsored by the pan-national alliance for the national unification in Seoul on August 15, the 51st anniversary of the nation's liberation from Japanese colonial rule.

"Opening a pan-national rally in Seoul will be obstructive rather than helpful."

On North Korea's freeze of its nuclear program, Kwon said, "the government has no specific information that Pyongyang has violated the Geneva nuclear agreed framework. The United States is also in the view that Pyongyang is honoring the agreement."

ROK Article Views Developments in DPRK, Taiwan Ties

SK2806011496 Seoul MUNHWA ILBO in Korean
26 Jun 96 p 3

[By reporter Kim Sung-hyon]

[FBIS Translated Text] Relations between North Korea and Taiwan are unusual. People who recently visited North Korea said that the Sunan Airport near Pyongyang was filled with Taiwanese tourists. Also, Taiwan's LIEN HO PAO reported that a six-man North Korean delegation with two vice minister-level officials, including Yi Song-nok, vice chairman (vice minister-level) of North Korea's External Economic Affairs Committee, is currently visiting Taiwan to request assistance. This is the first time for a North Korean delegation that includes two vice minister-level officials to visit Taiwan.

In particular, North Korea and Macao agreed to service North Korean passenger and cargo planes affiliated to Koryo Airline once a week and held discussions on detailed matters. Thus, a regular North Korea-Macao air route was opened.

The opening of a regular North Korea-Macao air route hints that North Korea-Taiwan relations have already progressed considerably. North Korea has concluded formal diplomatic relations with Portugal. Therefore, unlike most of the other regions, North Korean residents can stay in Macao, which is a Portuguese territory, for two weeks without a visa. In this regard, it is believed that the opening of the regular North Korea-Macao air route has in reality the same significance as the opening of a North Korea-Taiwan air route.

Since the establishment of diplomatic relations between the ROK and the PRC in August 1992, Taiwan was embroiled in the PRC's isolation policy. It was neglected

by the ROK, which was regarded as its ally. As a restraint card toward the PRC and the ROK, it strengthened contacts with the North. It seems that, disappointed with the PRC, North Korea used Taiwan's economic might, which ranks second in the world in foreign currency holdings (\$80 billion), and welcomed Taiwan's approach to overcome its economic crisis, in which its system is faced with collapse.

The secret contacts the two countries had been holding became public when members of the Taiwanese Legislative Branch visited North Korea in 1994 along with a tourist group. Kim Ung-yol, vice chairman of North Korea's Committee for the Promotion of External Economic Cooperation, visited Taiwan in March 1995, and in May of the same year, the External Trade Development Association, which is Taiwan's state-run trade promotion organization, dispatched a North Korean market survey team to North Korea. Thus, they rapidly became close. In 1995, Pak Kyong-yun, general president of Kumgangsan International Trade Development, visited Taiwan and agreed to set up tourist offices in each other's country. Thus, a North Korean tourist office was set up in Taiwan.

A North Korean trade delegation led by Kim Chong-kil, secretary general of the North Korean International Trade Promotion Committee, visited Taiwan at the invitation of Taiwan's Yutai Corporation, and Yi Song-nok also visited Taiwan at a time when rumors were spreading of Taiwan's food assistance to the North.

In connection with such secret contacts between North Korea and Taiwan, our government and the PRC are in reality at their wits end. Choe U-chin, North Korea's vice foreign minister, visited the PRC last year and threatened the PRC with the Taiwanese card, thus, it received a considerable amount of assistance from the PRC this year. Also, in connection with Yi Song-nok's visit to Taiwan, the PRC demanded that North Korea recognize "one China" and requested that he cancel his visit, but it was not accepted.

However, the Ministry of National Unification opined: "Being aware of the PRC, North Korea is only promoting civilian exchanges even though Taiwan wants official exchanges. Therefore, it seems that it will be difficult to develop into official relations."

ROK: Fuel Shortages in DPRK Hamper Military's Ability To Attack

SK2706111396 Seoul HANGYORE SINMUN
in Korean 27 Jun 96 p 2

[Report by Pak Chan-su]

[FBIS Translated Text] A North Korea expert in Japan has claimed that North Korea has yet to develop the Nodong missiles whose firing range is reportedly 1,000 kilometers, and that the North Korean military has lost its ability to attack due to serious fuel shortages.

Shigemura Toshimitsu, an editorial writer for MAINICHI SHIMBUN, contributed an article to the Japanese monthly magazine CHUO KORON entitled "There is No Contingency on the Korean Peninsula." In the article, he claims: "Last year, North Korea purchased only 1 million tonnes of crude oil. Following the refining process, North Korea will be able to obtain less than 300,000 tonnes of light oil." He further wrote: "Under such severe oil shortages, it would be correct to say that the North Korean military has already lost its ability to attack."

ROK: Reporters Describe Scenes of Starvation, Disease in DPRK

SK0507021196 (Internet) The Digital Chosun Ilbo
WWW in English 1149 GMT 4 Jul 96

[FBIS Transcribed Text] (Chosun Daily reporters, Cho In-won and Kim In-ku, have been dispatched in Northeast China in the North Korea border region. They have been reporting on the lives and ordeals of North Koreans two years subsequent to the death of the North's former leader, Kim Il-song.)

North Korea, which marked the second anniversary of Kim Il-song's passing on Monday [8 July], is like a dark infinite tunnel. Now only able-bodied people can engage in business, commits acts of theft and eat grass roots and tree bark. The country has indeed become a republic of despair.

A woman of 50 years who visited relatives in Musan, North Korea last May said that in Musan City ten or so die of starvation each day, their corpses buried without entombment. She told the story of a man of 40 who lived near her relatives and was yearning for a single cut of bean curd before he expired with hunger. The man's wife had been walking around all day begging for a cut of bean curd but returned home emptied handed. Her husband in despair tried to stand up to greet her but collapsed and died.

A Korean Chinese who had recently carried out a business trip to Hoeryong observed a young man

collapse on the road. The Korean Chinese had been on his way to visit the historic site of Kim Chong-suk, Kim Il-song's wife when the man collapsed in front of his car. Even though the young man, a guide, was an epileptic he lay motionless for several minutes while traffic passed.

North Korean the children are suffering from extreme diarrhea and many are dying from dehydration. In Hoeryong opium is being fed to children to ease the diarrhea. Many woman in their 20s suffer from rickets and it is very rare to sight a straight-legged woman. Traditionally Korean women from the North are very straight-legged and well shaped however they are virtually all bow-legged now.

A Chinese woman who visits her parents and brothers at Chonjin, North Korea every year said the situation is worse inland. She said that she does not know the exact numbers but that in Chongjin people are dying of hunger every day. For three years there has been no grain rationing and since last year people have been eating the bark of trees and sometimes lose their lives eating toxic grasses.

Two Chinese women living in Chongjin said that on the train to Tumen City in North Korea there is not even room on the roof and that they had watched six or seven people fall from the roof and die during a half day journey. Since the end of last year a train costs 20-30 won without a pass.

Even nationally owned houses are being traded on the black market. In Musan, North Korea a two-roomed house around 2-3 years old attracts a price of about 30,000 won and a labourer's average monthly salary is 80 won. Those who sell their houses must sleep in the street and some die from exposure in the cold winter. Even so, the number of people selling houses are increasing and the prices are dropping.

Commodity prices continue to rise steeply. In 1994, when Kim Il-song died, one kg of rice was 34 won the price has now risen to 130-140 won. Corn powder rose from 18 to 110 won in that period and a fist-sized loaf of bread rose similarly from 5 to 10 won. The average labourer's salary was reduced to 20-30 won, only barely enough to buy 2 or 3 loaves of bread. Whether the deaths from hunger in the North are occurring nation-wide or not is unknown however it is certainly the case that deaths amongst those who reside in the worst afflicted areas or who belong to the lower ranks of society's strata are increasing.

Truck loaded with lumber arrives at North Korean customs checkpoint near the China border. Korean wood

is exchanged for Chinese flour. North Korean guards and anxious North Korean women look on."

ROK Studies Medical Aid to DPRK as Disease Said Spreading

SK0407124096 Seoul YONHAP in English
1217 GMT 4 Jul 96

[FBIS Transcribed Text] Seoul, July 4 (YONHAP) — The government is studying providing medicines to North Korea through the Korean National Red Cross to help the communist country battle the reported spread of epidemics, a government official said Thursday.

He said it has been learned that contagious diseases like typhoid, dysentery, paratyphoid and measles were spreading fast in the North, in particular those areas struck by last year's floods.

"To help the North fight the epidemics, we are studying the possibility of shipping medical supplies to North Korea by way of the Red Cross from humanitarian grounds," the official said.

The government, he said, may give them some quarantine equipment like quarantine vehicles in addition to medicines if North Korea asks the South for such equipment directly or indirectly.

Quoting reports from recent visitors to North Korea, the official said epidemics, first reported in northwestern areas such as Sinuiju and Huichon, were spreading fast to southwestern areas like Haeju and Nampo.

Roaming by train across the country by hungry people in search of foods has been adding to the rapid spread of diseases, the official added.

ROK's DPRK Policy Criticized as 'Naive Do-Goonder Approach'

SK0407003896 Seoul THE KOREA HERALD
in English 4 Jul 96 p 6

[Editorial: "North Korea's Paymaster?"]

[FBIS Transcribed Text] Dealing with the issue of North Korea's current privations isn't easy. The fact that the causes are complicated to begin with is compounded by the deceptive Pyongyang regime's tendency to manipulate the distribution of external aid. Therefore, the hardships endured by North Koreans may not warrant a response solely guided by humanitarian considerations — as tempting as it is to "turn the other cheek" and play the compassionate outsider.

Debates started years ago over whether or not to provide the North Korean government with light-water nuclear reactors as a substitute for the graphite-moderated

reactors it was building secretly. (These activities had aroused international suspicions that Pyongyang was producing weapons-grade plutonium.) Then came talk of widespread famine caused by last year's severe flooding and calls for generous food aid from international organizations and sympathetic governments.

In the latest development, it was reported here that South Korea, acting upon a request by the International Olympic Committee (IOC), will help North Korea with its travel expenses to the Atlanta Olympics within a couple of weeks. According to YONHAP, the national news agency, the IOC made the request last April.

The upcoming 1996 games are significant. For one, they will coincide with the centennial of the worldwide sports festival. Secondly, all 197 members of the IOC are expected to participate without distinguishing ideological and political divisions dating back to the Cold War. All of us, as South Koreans, should be happy to see North Koreans take part in the occasion and thereby gaining greater acceptance in the international community.

At the same time, we need to weigh the decision over whether or not we should actually "chip in" for the North Korean delegation's travel expenses. It's a sensitive question, and the answer shouldn't be reserved to the government alone; it needs to be endorsed by public opinion. On the one hand, the sum of money involved — less than \$1 million out of the \$2 million requested by Pyongyang for transportation and expenses — may not amount to much. But as long as this aid is part and parcel of Seoul's help to Northerners, the decision can't be made so airily.

South Korea is supposed to pay the lion's share of the billions of dollars required to finance construction of North Korea's nuclear reactors. This massive burden was thrust upon the country before most citizens knew anything about it. They remain in the dark concerning the government's processes of consultation with its allies and partners, or the criteria upon which the sharing of the financial burden was determined. It would seem that South Korea — abruptly and perhaps unawares — has been cast into the role of North Korea's chief paymaster.

Last year, Pyongyang's response to the government's generous gift of rice went beyond ingratitude to humiliation. If it was a well-intended humanitarian gesture, the upshot is still a diplomatic embarrassment; and many farmers in the South were angered that government officials had not sought their approval before rushing into a gesture involving so much staple grain.

It was rather surprising that the government was ready to offer generous aid to North Koreans while its own coffers and granaries were running low. The same might be said of sundry religious and civic organizations which have so enthusiastically sought to furnish aid to Northerners while ignoring the needs of immediate neighbors right here at home.

The Olympics is the business of the IOC and the host city of the games. The simple fact that North Korea is Seoul's northern neighbor is no reason for South Korea to play any role in the North's participation. When dealing with or providing assistance to Pyongyang, our government needs to employ greater caution and calculation than in the past. A naive "do-gooder" approach has only served to embolden an intransigent government already disposed to bite the hand that feeds it.

ROK Promises 'Stern Action' Against Pro-Pyongyang Students

SK0507052396 Seoul YONHAP in English
0517 GMT 5 Jul 96

[FBIS Transcribed Text] Seoul, July 5 (YONHAP) — The government said Friday that stern action will be taken against the recent wave of pro-Pyongyang leftist sentiment at college campuses and labor circles.

The measures were discussed at a meeting of working-level public security officials at the office of the prosecutor-general, with officials from the Agency of National Security Planning, the National Police Administration, the Defense Security Command, and the labor, education and culture-sports ministries attending.

More and more North Korean propaganda material, including anti-government struggle guidelines and Kim Il-song's directives for revolution, is being sent to the student activist group, Hanchongnyon, by Pyongyang through fax, the meeting noted.

The government will crack down on any groups obtaining such material for distribution, it added.

It was also agreed to monitor the Internet and other worldwide communication networks to prevent the inflow of North Korean propaganda into the country through those channels.

The participants stressed the need to intensify control on violent demonstrations by student activists, including campus searches for steel pipes and molotov cocktails.

Meanwhile, some 20 suspected leftists including students have recently been arrested for violating the National Security Law.

ROK: Seoul National University Student Council Head Arrested

SKD407110496 Seoul YONHAP in English
1054 GMT 4 Jul 96

[FBIS Transcribed Text] Seoul, July 4 (YONHAP) — The Seoul police on Thursday arrested the Seoul National University Student Council president on charges of violating the National Security Law.

A police source said Yo Song-o, 23, a senior majoring in Korean history, was suspected of leading unlawful rallies and violent demonstrations and producing and disseminating printed matters containing pro-enemy phrases.

He was also accused of forming an "enemy-benefitting" organization, "National Alliance for Student Struggles," among populist-democracy faction students last March, the source added.

ROK Welcomes Boris Yeltsin's Victory in Russian Elections

SKD407060896 Seoul YONHAP in English
0604 GMT 4 Jul 96

[FBIS Transcribed Text] Seoul, July 4 (YONHAP) — South Korea welcomed Thursday the virtual reelection of Russian President Boris Yeltsin in the presidential runoff.

"The government also welcomes that Russia's democratic development will be further accelerated and market economy reform policies pushed through continuously," Foreign Ministry Spokesman So Tae-won said.

The outcome of the presidential election, he said, reflects the Russian people's aspirations that their country develop based on the framework of democracy and market economy and that such a development be institutionalized.

The spokesman expected that Yeltsin's reelection will contribute toward further developing "the constructive and mutually complementary relations of cooperation" between the two countries.

He also hoped that Russia will continue to play a constructive role in the international arena.

ROK: Kim Yong-sam Congratulates Yeltsin on Election Victory

SKD407061696 Seoul YONHAP in English
0618 GMT 4 Jul 96

[FBIS Transcribed Text] Seoul, July 4 (YONHAP) — President Kim Yong-sam has congratulated his Russian counterpart, Boris Yeltsin, for his reelection as the president of Russia, and conveyed his hope again for

Yeltsin's visit to the nation in the near future to deepen Seoul-Moscow ties.

In his Thursday congratulatory message, Kim said, "I think the Russian people's determination this time is a victory for democracy in Russia, and a victory for the reform policies you (Yeltsin) have initiated thus far. [no end quotations as received]

Kim continued, "I wish you great success in making Russia prosperous and great during your second-term as president. I will actively cooperate with your efforts."

Kim also hoped that the friendly and mutually complementary partnership between the two countries will be further deepened and developed on the basis of trust and friendship established between him and Yeltsin.

Asking the Russian head of state to visit South Korea as soon as possible, Kim said that he is assured that Yeltsin's visit to the nation will greatly contribute to the stability and prosperity on the Korean peninsula and in the Asia-Pacific region.

ROK: Hashimoto Proposed 'Unscheduled' Meeting With Kim

SK2806020196 Seoul YONHAP in English
0103 GMT 28 Jun 96

— *Semiofficial News Agency of the ROK*

[FBIS Transcribed Text] Tokyo, June 28 (YONHAP) — The unscheduled one-hour-long tete-a-tete President Kim Yong-sam had with Japanese Prime Minister Ryutaro Hashimoto following the formal dinner on Cheju Island last Saturday, unlike what was originally reported, had been proposed by Hashimoto, the MAINICHI SHIMBUN reported Friday.

Earlier reports had it that the informal tete-a-tete took place as Kim offered "to have a drink by ourselves." In fact, however, the meeting was held because Hashimoto urgently wanted it, the daily said quoting a source involved in Korea-Japan relations.

Hashimoto reportedly proposed the meeting during dinner, saying, "I would like to speak with your excellency alone after dinner." Kim gave a dubious look initially, saying, "We are to meet to schedule," but later accepted the invitation, according to the report.

Although co-hosting the 2002 World Cup soccer finals loomed large as a key issue in the summit talks, the daily said, the two leaders are believed to have been as much serious in their discussion on the U.S.-Japan cooperative security efforts and the situation in North Korea.

ROK: Ministry Official Reports Aviation Dispute With Thailand

SK2806023396 Seoul THE KOREA HERALD in English 96 28 Jun p 8

[FBIS Transcribed Text] An aviation dispute has erupted between Korea and Thailand over Bangkok's request to increase the number of flights flying beyond Seoul to a third nation, a Ministry of Construction and Transportation official said yesterday.

At the aviation talks last May, Bangkok asked Seoul to boost the number of flights flying beyond Seoul to Los Angeles by its national flag carrier, Thai Airways International, from the current four times a week to at least seven.

But Korean officials rejected the demand for fear that it might hurt the profitability of the two national flag carriers with respect to Korea-U.S. routes.

Countering that, Thai officials threatened to reject Seoul's demand to increase the number of flights along the Korea-Thailand routes by Korean Air and Asiana Airlines.

"The United States is the most traditional market for Korean airliners," the official said. "We have no intention to increase the number of flights along the Korea-Thailand routes at the cost of the Korea-U.S. routes."

The tough stance between the officials of the two countries has led to a breakdown of the talks, he said.

Korean Air and Asiana Airlines are operating a total of 25 flights a week to Bangkok and Phuket while Thai Airways is monopolizing the same number of flights between Korea and Thailand.

ROK-Brazil Talks Make No 'Progress' on Quota Tariff System

SK2806104296 Seoul YONHAP in English 0845 GMT 28 Jun 96

[FBIS Transcribed Text] Seoul, June 28 (YONHAP) — The South Korea-Brazil car talks have failed to make any progress as South Korea refused Thursday [27 June] to accept a tariff quota system proposed by the South American country.

In a bilateral talks held at the South Korean mission in Geneva, Brazil proposed a tariff quota system in which it will lower the 70-percent duty currently applied for imported Korean cars to 35 percent only for an amount not exceeding a given quota.

Brazil is currently imposing a 70-percent tariff on all imports from foreign makers which have not invested in

the country while granting a preferential 35-percent tariff to cars imported by locally-incorporated subsidiaries of foreign automakers.

South Korea instead called on Brazil to abolish such a preferential customs duty system, arguing it runs counter to principles set forth by the World Trade Organization.

Brazil is known to have sounded out United States, the European Union and Japan about the same quota tariff system.

Brazil explained that the preferential tariff system has been thought out as an effort to attract more foreign investments in its automobile industry and thereby protect the country's international balance of payments.

Officials of the two countries agreed to hold a second meeting some time next month after having consulted with other countries concerned.

ROK Current Account Deficit Totals 8.11 Billion Dollars

SK2706084096 Seoul YONHAP in English 0723 GMT 27 Jun 96

[FBIS Transcribed Text] Seoul, June 27 (YONHAP) — South Korea's current-account deficit, due to export slowdown and aggravating invisible trade balance, topped 8.11 billion U.S. dollars during the first five months of the year, up 60 percent from the 5.07 billion dollars registered for the same period last year.

The figure exceeds the 7.9 billion dollar deficit the Bank of Korea projected for the entire year.

The current-account balance in May recorded a 1.44 billion dollar in deficit.

Those figures were contained in the provisional international balance of payment trends for May released by the central bank Thursday.

Since arrivals of letters of credit in May dipped 10.5 percent from a year earlier, while that of import licenses issued increased 4.4 percent, it is feared that the current-account deficit will surpass 10 billion dollars in two to three months, Bank of Korea officials said.

Trade balance in May recorded a deficit of 790 million dollars. Exports increased a mere 6.4 percent on account of declining unit export prices of heavy industry and chemical products like semiconductors and chemical industrial products, while imports rose 7.3 percent.

Due to increases in overseas travel expenditures, transport and advertising costs, the invisible trade balance in the month registered a deficit of 560 million dollars.

eight times as much as the 70 million dollars registered a year earlier.

The invisible trade deficit for the January-May period amounted to 2.99 billion dollars, a 141-percent increase from the 1.24 billion dollars recorded during the same period last year.

The balance of unrequited transfer accounts registered a deficit of 90 million dollars in May and 430 million dollars during the first five months of the year.

ROK: Agriculture Ministry Sets Prices for Imported Rice

SK2806015896 Seoul THE KOREA TIMES in English
28 Jun 96 p 8

[FBIS Transcribed Text] A total of 440,000 som or 71,260 tons of rice will be imported from China in August under the minimum market access (MMA) formula of the Uruguay Round.

Daewoo Corp. won the bidding organized by the Office of Supply (OSROK) Wednesday, with Chinese rice priced at \$441.67 per ton on arrival basis, an OSROK officials aid. The government procurement agency signed a contract with Daewoo yesterday. The imported rice will be brought in starting August 12 through the end of the month.

Nine companies representing five nations (the United States, Australia, China, Taiwan and Egypt) participated in the bidding. Chinese rice was selected best in quality and price, winning over California rice which was offered at \$549 per ton, the official said.

An official of the Agriculture, Forestry and Fisheries Ministry added that price for 300,000 som or 43,200 tons was set at \$437 per ton and the remainder 140,000 som or 28,060 tons at \$455. The price is about a quarter of the local price of \$1,820 per ton.

The ministry official said that the Chinese rice will be released for the production of processed food.

Last year, Korea imported 350,000 som or 50,040 tons of rice from India for processing under the same Uruguay Round formula.

ROK: NKP Chairman Views Assembly 'Political Impasse'

SK2806054996 Seoul YONHAP in English
0528 GMT 28 Jun 96

[FBIS Transcribed Text] Pusan, June 28 (YONHAP) — New Korea Party (NKP) Chairman Yi Hong-ku said Thursday that he felt sorry about the political impasse blocking the formation of parliamentary leadership and stressed that efforts should be made to ensure that the

opening of a new National Assembly will not be the target of political negotiations in the future.

While addressing the summer academic convention of the Korean Political Science Association held at the Pusan Paradise Hotel Thursday evening, Yi said, "The next, 16th, National Assembly that will be convened after the 2000 general elections must open on the date prescribed by law. We must see to it that the term 'negotiation on opening the National Assembly' disappear once and for all."

Political regionalism is most worrisome, Yi observed, noting that the major opposition party failed to produce a single successful candidate in nine cities and provinces, the second opposition party in eight cities and provinces and the ruling party in three cities and provinces in the April 11 general elections.

Such election results make one wonder "if our society is really homogeneous," Yi argued, adding, "it is very difficult to come up with the model of parliamentary operations that best suits a democratic institution characterized by such regional conflict."

"It is an agonizing decision that we must all face. Should we pursue the British model in which the ruling party assumes full responsibility for state affairs and is judged in the next election or the cooperative model in which the ruling party shares responsibility with an opposition party that represents a substantial portion of the population," Yi said.

ROK: More on Normalization of National Assembly Compromise

SK0407013296 Seoul YONHAP in English
0105 GMT 4 Jul 96

[FBIS Transcribed Text] Seoul, July 4 (YONHAP) — Rival political parties struck a compromise on the normalization of the National Assembly Wednesday [3 July] putting an end to a month-long impasse caused by the ruling party's post-election buildup of a parliamentary majority.

The National Assembly accordingly opens a plenary session Thursday morning to elect the speaker and vice speakers. The ruling New Korea Party (NKP) has nominated Rep. Kim Su-han its choice for the speaker's post. Rep. O Se-ung of the ruling party and Rep. Kim Yong-pae of the major opposition National Congress for New Policies (NCNP) are the vice speaker nominees representing the rival two camps.

The inaugural session Thursday afternoon will elect chairmen of 16 standing committees and hear an inaugural speech by the newly-elected speaker and President

Kim Yong-sam's address to be read by Prime Minister Yi Su-song.

In a late-night meeting, floor leaders of the rival parties agreed to form ad hoc committees for the revision of five controversial laws and the investigation of alleged election frauds.

The laws to be amended under the agreement are those governing elections, election funds, the neutrality of public officials involved in elections, National Assembly operation and broadcasting.

An 18-member special parliamentary panel dealing with law revisions will be made up of an equal number of nine members each from the ruling and opposition camps, and operate from Aug. 10 to the end of February.

A 13-member ad hoc committee on election frauds will, in accordance with the house seat ratio by four parties, be composed of seven members from the ruling party, three from the NCNP, two from the United Liberal Democrats (ULD), and one from the [Liberal] Democratic Party (LDP). The committee will sit from Aug. 10 to Sept. 9.

On chairmanship of the 16 National Assembly Standing Committees, the floor leaders agreed to allocate nine seats to the NKP, four to the NCNP and three to the ULD. The chairmanship of a standing women's special committee will go to the major opposition party during the first half of the 15th National Assembly and to the ruling party during the latter half.

They also agreed to open three-week extraordinary session Monday to elect standing committee chairmen, form ad hoc committees, and deal with other pending issues.

In spite of the compromise, however, rival political parties are expected to tread a thorny path in the course of operating the ad hoc committees since their stands are miles apart from each other on the political neutrality of the prosecution and police and wrongdoings allegedly committed in the April 11 general elections.

NKP floor leader So Chong-won said Wednesday evening, "We've agreed to confine the upcoming extraordinary parliamentary session to the formula of splitting the membership of an ad hoc committee equally between the ruling and opposition camps."

He was referring to the formula applied to the 18-member special panel on revisions of election-related laws.

NCNP floor leader Pak Sang-chon said, "Along with the United Liberal Democrats, our party plans to submit bills designed to ensure the political neutrality of the prosecution and police."

LDP floor leader Yi Chong-mu said, "During the three-week extraordinary National Assembly session, we'll exert ourselves in dealing with long-pending issues including economic ones."

ROK: NKP's Kim Su-han Elected National Assembly Speaker

SK0407095596 Seoul YONHAP in English
0944 GMT 4 Jul 96

[FBIS Transcribed Text] Seoul, July 4 (YONHAP) — The National Assembly Thursday afternoon elected Rep. Kim Su-han of the ruling New Korea Party (NKP) new speaker.

In a secret vote participated [in] by 271 legislators, 246 solons voted for him. Six other ballots went to Kim Yun-hwan, NKP, and one to Kim Yong-pae of the opposition National Congress for New Politics (NCNP).

Opposition Democratic Party lawmakers who mounted a futile struggle to thwart the election boycotted the vote.

"I will perform my new duty through compromise and consensus in dealing with a mountain of important bills awaiting legislative actions," Kim Su-han said upon election.

In subsequent vice speakers' election, O Se-ung, NKP, and Kim Yong-pae, NCNP, were elected as the two-year term vice speakers of the 15th National Assembly.

O Se-ung earned 256 votes of the total 274 ballots cast and Kim Young-pae 232 of the 268 votes.

Democratic Party lawmakers did not obstruct the election of vice speakers in return for the right to speak. But, they did not vote and walked out of the chamber.

The splinter party's discontent was that DP solons were kept from taking part in the newly created systems improvement special committee of the National Assembly.

ROK: National Assembly Inaugural Session Postponed to 8 Jul

SK0407110196 Seoul YONHAP in English
1052 GMT 4 Jul 96

[FBIS Transcribed Text] Seoul, July 4 (YONHAP) — The National Assembly postponed its inaugural session, originally slated for Thursday afternoon, until next Monday, July 8.

The assembly could not inaugurate itself as scheduled due to an impediment campaign mounted by splinter Democratic Party solons who occupied the speaker's rostrum in force after the election of the speaker.

Through impromptu talks with the floor leaders of the three major parties and the Assembly secretary-general, Speaker Kim Su-han decided to elect vice speakers within the day anyway, but to hold an inaugural session at the 180th special Assembly sitting on Monday.

ROK: Foreign Ministry Conducts Foreign Service Reshuffle

SK2806041396 Seoul YONHAP in English
0302 GMT 28 Jun 96

[FBIS Transcribed Text] Seoul, June 28 (YONHAP) — Former Consul-general to Miami Choe Kun-pae was appointed ambassador to Laos in a foreign service reshuffle announced Friday.

Minister to Italy Yi Pong-ku was appointed consul-general to Mumbai (formerly Bombay), while former Consul-general to Agana Pak Kyong-tae was named chief of the South Korean representative in Cambodia.

Councilor Chon Yong-tok of the Foreign Ministry Treaties Bureau was named new ambassador to Zambia.

Yi Chang-ho, secretary general of the Korean Council on Foreign Relations, was appointed ambassador to the Dominican Republic.

ROK: President Kim Yong-sam Addresses Senior Secretary Meeting

SK2806054196 Seoul YONHAP in English
0523 GMT 28 Jun 96

[FBIS Transcribed Text] Seoul, June 28 (YONHAP) — President Kim Yong-sam said Friday that the military and civilian police should make a thorough review of anti-terrorist precautions to minimize the possibility of such bombings as that of a U.S. military facility in Saudi Arabia occurring in South Korea.

While addressing a senior secretary meeting, the president stressed the importance of local governments putting national security before provincial or regional interests when launching development programs, to insure a coordination of central and local government priorities that would protect the interests of all citizens.

In a comment referring to the first anniversary of the local autonomy system, Kim expressed concern about a rising tide of provincialism, Chongwadae [presidential offices] spokesman Yun Yo-chun said.

"It is deplorable to note that an indifference to safety is still a prevailing condition on construction sites and in the other workplaces. To commemorate the first anniversary of the Samping Department Store collapse, we should commit ourselves once again to making

safety our number one priority," he was quoted as saying.

Pak Se-il, senior secretary for social welfare, reported that some 3,200 of the 3,306 workplaces across the country have reached collective bargaining agreements, leaving only 19 companies hampered by work stoppages.

ROK: Various Firms Bidding To Build Military Aircraft Engine

SK0507062296 Seoul YONHAP in English
0600 GMT 5 Jul 96

[FBIS Transcribed Text] Seoul, July 5 (YONHAP) — Foreign aircraft engine makers including an European consortium are engaged in tough competition to win the right to supply engines for "KTX2," a high-calibre jet aircraft trainer for the Korean Air Force, which will be in the detailed designing stage early next year, and development of a test model.

According to related industry sources Friday, Rolls Royce of Britain, Germany's MTU, and Siat of Italy and Spain's ITP have formed a consortium, "Euro-jet," which is joined by GE of the U.S., and France's Snecma in a hard competition for the engines.

A Rolls Royce official at the British firm's Seoul office said the company has already supplied engines for Hawk training aircraft of Korean Air Force, and Lynx helicopter engines for Korean Navy, and won the confidence for its engines in Korea already, which should give the Euro-jet an advantage over others.

Euro-jet is offering "EJ200," an engine for a combat aircraft jointly developed by German, British and Spanish engine makers, and is currently in the production stage.

Snecma of France has been offering its M88 engine developed for a super-modern French aircraft, and has been staging a fierce sales promotion through the French Government, the sources said.

In the middle of last month, French Construction and Transportation Minister Bernard Ponce, during his visit to Seoul, put in some good words for the sale of the French engine in a display of the French Government's support for the French aircraft engine maker.

In the meantime, GE has been offering its F-404 turbofan jet engine now mounted on F-18s for KTX2. The engine is in a good position because it was a model engine for basic designs of the KTX2 conducted jointly by Samsung Aerospace Co., and the Lockheed Martin of the U.S., with the help of a team from add, an American Defense Industry Research Institute.

Samsung Aerospace and the Ministry of Defense will investigate the foreign engines in terms of quality, price, and technology transfer, and royalty fee and others before the final selection due at the end of the year.

The foreign engine makers, including GE, are expected to present bidding papers for the engine for KTX2 by next month.

The Defense Ministry has budgeted 1.5 billion U.S. dollars to develop and produce the trainer aircraft for both domestic use and exports.

ROK Ex-Premier: Chon Carried Out 'Apparent Act of Insurrection'

SK0107140196 Seoul YONHAP in English
1248 GMT 1 Jul 96

[FBIS Transcribed Text] Seoul, July 1 (YONHAP) — Sin Hyon-hwak, who was the prime minister at the time of the May 18, 1980 incident, said Monday the arrest of army chief of staff Gen. Chong Sung-hwa by Maj. Gen. Chon Tu-hwan in December 1979 was an apparent act of insurrection.

Testifying at the 18th session of the trial of Chon and others involved in the Dec. 12 and May 18 incidents, Sin said it was an act of insurrection because Chon and his group arrested their superior, the army chief of staff, without any permission from the president, the supreme military commander.

Sin also said that he tendered resignation as premier one day after the expanded application of martial law was adopted by the Cabinet on Aug. 17, 1980 because he thought the measure was a sort of non-confidence against him. [as received]

"I also felt responsible for failing to prevent the utter social confusion that prevailed then," he said. "I believed somebody had to be held responsible for the confusion."

Sin said he would be happy if the on-going trial would serve as an occasion for all the people to get reconciled.

ROK: Editorial Considers Ways To Cope With Economic Situation

SK3006045596 (Internet) The Digital Chosun Ilbo
WWW in English 1140 GMT 29 Jun 96

[EDITORIAL: "Coping With The Economic Crisis"]

[FBIS Transcribed Text] The trouble with our economy sprung up virtually overnight. There were constant warning signals since last year that our economic was heading for disaster. However, the authorities reacted too late. The root of the problem is that our economy has now reached the stage where sustained growth and development can no longer be maintained.

Economic difficulties stemmed initially from a downturn in the export market. This resulted from a low yen value which crippled our price competitiveness and a reduction in overseas demand for our commodities. The real problem, however, with our economy is the high cost, low efficiency economic system itself under which we operate. It is impossible to be competitive with such a system in place.

Our interest rates, wages, land prices and logistics costs are higher than those of our competitor nations. Despite efforts by our authorities to rectify the situation, the high cost, low efficiency economic system continues to be perpetuated. A few days ago the Economic Vice-Prime Minister took the brave measure of forcibly reducing interest rates despite fierce criticism that he was interfering with the autonomy of the banks however rates very quickly proceeded to rise to higher levels than they were previously. It seems clear that it will not be possible to narrow the gap between our interest rate levels and those of our competitor states in the future.

The sharp rise in wages over the past few years has seen wages reach the point where they are almost intolerable by business. Even worse is the result of recent union wage negotiations. Workers in a number of industries including the public sector were through these negotiations able to derive double-digit percentage salary hikes. In the situation where the government continues to heavily regulate industry, our high cost, low efficiency economy cannot begin to dissolve, on the contrary it will worsen.

It is incontrovertible that the only way we extricate ourselves from our economic problems and restore our competitive strength is to implement an economic system predicated on low cost and high efficiency. The problem is whether such a system can be effectively imported in a short period of time. Despite some contrary pessimistic views, many believe it is possible to achieve this if the people, businesses and the government join and work together with a co-operative spirit.

ROK: Union Work Stoppages for Safety Reasons Cause Controversy

SK2706065196 Seoul THE KOREA TIMES in English
27 Jun 96 p 3

[FBIS Transcribed Text] Amid the wave of labor disputes sweeping the country, unions' right to "call a work stoppage" has emerged as a new thorny labor issue.

At the Daewoo Heavy Industries shipbuilding yard, its management became the first in the country, Tuesday, to guarantee the union's right to call a work stoppage in order to prevent industrial disaster.

In its collective agreement with the union, management granted the union the "authority to unilaterally call an end to work, until proper safety measures are implemented."

Regarding the agreement, the Korea Employers Federation (KEF) immediately expressed grave concern, saying that the union's right might be misused, given the "confrontational" posture of the nation's unions.

The power of unions to call a work stoppage might be abused as a tool of collective action in the worst case, the KEF claimed.

The KEF has been strongly opposed to granting such rights to unions, on the ground that the authority to decide whether to work or not belongs solely to management.

The federation also maintained that the work stoppage accord went too far, as existing laws permit individual workers to halt work when they encounter safety problems.

A Labor Ministry official observed that the anti-industrial disaster measure at Daewoo is one which is not found even in advanced countries.

"Given such a situation, the unions should be able to oversee the working conditions on behalf of individual workers to prevent industrial disasters," Chong Song-hui, spokesman for "Minju Nochong," the Korean Council of Trade Unions, said yesterday.

As of yesterday, companies allowing unions to call a work stoppage in their collective agreements total 13, including Kia Motors, which introduced a measure that formally bars any punishment of employees stopping work.

Unions demanding such a safety measure number 64, mostly those at shipbuilding and metal firms, and other heavy industries, including the unions at the Hyundai Business Group.

ROK President Asks Scientists To Serve as Sci-Tech Bridgehead

SK2706111296 Seoul YONHAP in English
0959 GMT 27 Jun 96

[FBIS Transcribed Text] Seoul, June 27 (YONHAP) — President Kim Yong-sam on Thursday called on

ethnic Korean scientists and engineers abroad to serve as a bridgehead in the development of science and technology in their home country.

In a speech at a tea party he hosted at Chongwadae [presidential offices] for more than two hundred ethnic Korean scientists abroad, President Kim said globalization and further advancement of science and technology is a must to developing the country into an economic power in the 21st century.

"Our immediate goal is to join at least the ranks of G-7 nations in the 21st century," Kim said, asking the attendees to positively assist in the country's science and technology programs.

Noting that overseas Korean scientists and technicians had contributed much to the development of the nation's science and technology, the president said his government would streamline policy measures to facilitate further participation in Korean science and technology programs by overseas ethnic Koreans.

The Chongwadae reception was attended by a total of 217 ethnic Korean scientists and technicians active in 12 countries. They included Kang Kyong-sik, physics professor at Brown University, the U.S.; Kim Chae-kyong, mechanical engineering professor at Essen Engineering College, Germany; and Lyudmila Nam, a responsible research member of the Russia Weapons and Materials Institute.

ROK: Korea Freedom League Chooses Former Minister as Leader

SK2806015296 Seoul THE KOREA TIMES in English
28 Jun 96 p 3

[FBIS Transcribed Text] An Ung-mo, former home minister, was appointed president of the Korea Freedom League in its general meeting Wednesday.

The state-affiliated organization, formerly called the anti-communist league, also selected former government administration minister Yi Mun-sok as its general secretary.

Burma

Burma: SLORC Reportedly Bans Trading of NLD Symbol in Rangoon

BK0107082896 (Internet) BurmaNet News in English 30 Jun 96

[Report by All Burma Students' Democratic Front News Agency in Dawn Gwin]

[FBIS Transcribed Text] Since the reopening of high schools and elementary schools in Burma in last June, many students have worn the traditional "Kha-mauk" bamboo hats on raining days instead of carrying their usual umbrellas. Especially in the Rangoon Division, students wore the "Kha-mauk" which was the symbol of Daw Aung San Suu Kyi's party, the National League for Democracy (NLD), during the 1990 election. People popularly regard the "Kha-mauk" as the symbol of political defiance against the military regime, SLORC [State Law and Order Restoration Council].

In retaliation, SLORC has ordered school headmasters in Rangoon Division to seize all "Kha-mauk" from students. Many confiscated "Kha-mauk" can be seen in headmasters' offices in the region. SLORC has even gone so far as to ban the transport of "Kha-mauk" into Rangoon and to prohibit trading "Kha-mauk" in Rangoon's markets.

Dissatisfaction High among Rangoon People [subhead]

There are signs that political talk is increasing among the people in Rangoon. Except for members of the military clique and their close relatives, people in the city have been suffering from many orders and regulations. Due to the worsen economic situation and the hardships it is causing, people's sentiment against SLORC is rising.

In Hlaing Township in Rangoon, residents in the township were ordered to raze their traditional wooden or bamboo homes and build brick houses instead. Should anyone fail to comply with the order, his land is confiscated with a mere 100,000 kyats compensation. So far, fully one third of the houses of local residents in Hlaing Township have been pulled down and the families relocated to Hlaingthaya Satellite Town.

Open Market Merely for SLORC [Subhead]

SLORC is claiming that they have introduced an "Open Market" economic system in Burma, and it is true. However, that open market system is merely for SLORC's senior members and their immediate families, but certainly not for the entire Burmese people. All the business and trades are being monopolized by the SLORC and army officers. Ordinary people are suffering a more miserable life than ever before.

The two-storey building which is a office of the Press and Publishing Corporation, situated at the corner of Merchant Street and Pansodan street in Rangoon was rented to Gen. Tun Kyi, the Minister for Trade for 70,000 kyats per month. Gen. Tun Kyi then converted the building's space into a number of small shops which he now rents to other well-connected businessmen. From this one building alone, he earns at least 500,000 kyats per month in rental fees. People in Rangoon have now nicknamed the building "Tun Kyi's Department Store."

Burma: 'Destructionists' Destroy 'People's Desire Billboard'

BK0307143896 Rangoon TV Myanmar Network in Burmese 1330 GMT 3 Jul 96

[FBIS Translated Text] Evil-minded destructionists, who want to undermine the peace and tranquility and the development of the country, caused a small explosion which destroyed the "people's desire" billboard with intent to terrorize the people.

At about 1400 today, a small explosion caused by a destructionist occurred under the English version "people's desire" billboard erected on Merchant Street near the Mahabandoola Park in front of the American Embassy in Yangon [Rangoon]. The explosion caused a three-inch hole in the wall, but no one was hurt.

Responsible personnel in cooperation with the public are conducting investigations to apprehend the destructionist.

Brunei, Malaysia & Singapore

Malaysia

Malaysia: Five 'Foreign' Fishermen Detained for Encroachment

BK0107115596 Kuala Lumpur NEW STRAITS TIMES in English 29 Jun 96 p 4

[Unattributed report]

[FBIS Transcribed Text] Kuantan, Fri. — The Royal Malaysian Navy has detained five foreign fishermen alleged to have encroached into the country's Exclusive Economic Zone yesterday.

The fishermen, aged between 28 and 35, were spotted by KD [royal ship] Musytari led by Commodore Musa Omar at 7.06pm [1106 GMT], about 45 nautical miles off Kelantan waters.

A navy spokesman said the deep-sea fishing trawler had been handed over to the State Fisheries Department.

The fishermen will be charged under the Fisheries Act 1985.

He added that the Navy would continue to work closely with the department and other enforcement agencies to reduce the number of cases of encroachment into Malaysian waters.

Singapore

Singapore: Minister Explains Need To Support Government

BK0307055396 Singapore THE STRAITS TIMES
in English 2 Jul 96 p 1

[Unattributed report]

[FBIS Transcribed Text] Any slight fall in the support for the People's Action Party [PAP] Government will have an adverse effect on Singapore's competitiveness in the region said Home Affairs Minister Wong Kan Seng yesterday.

"The world watches us very closely every year to pick up any signs of political risk."

"Any slight fall in the support for the PAP Government will cause them to interpret that the government is no more strong or as popular as before. This will have an adverse effect on our competitiveness for foreign investment," he said.

He stressed that voting for an efficient, reliable, and farsighted national leadership was a serious matter, and urged Singaporeans to "see beyond your personal grouches, your personal interests, and your constituency affairs."

"See the big picture — that Singapore needs a tested and proven strong government with solid reputation abroad to ensure its continual success. That is where you can play a part if you want to make your Singapore Dream a reality."

He was speaking to about 420 residents and grassroots members at the official opening of Fengshan Community Club's [CC] new \$833,000 building extension.

In a speech which he gave in both English and Mandarin, he said that one of the most important reasons why Singapore continued to attract foreign investments was that it posed the least political risks for investors.

"They feel secure putting their money here. Hence, an efficient, corruption-free government means a lot to most investors in addition to having tax incentives, a market economy, a trained work force, and other factors."

But, he added, Singapore must never take their achievements for granted.

"We can be displaced by other nations. To sustain investors' confidence in our government, Singaporeans must consistently send out to the world a clear signal of our strong support for good, strong government."

He noted how countries larger than Singapore had learnt and copied its sound economic policies and effective fiscal management system to become competitors.

Illustrating this, he pointed out how United States-based disk-drive maker Syquest Technology moved its entire manufacturing operation from Singapore to Penang to cut operating costs, while American car maker General Motors chose to invest its new US\$ 750-million (S\$1-billion) regional manufacturing plant in Thailand.

The economies of Indonesia, Thailand, Malaysia, and China registered real GDP growth of between 7.6 percent and 10.2 percent last year, he said.

Citing more figures, he noted that unlike Singapore's matured economy, these countries had larger domestic markets, more natural resources, and greater potential for further growth.

To keep on attracting more investments, Singapore needed continued political stability and an efficient and clean government strongly supported by the people.

It also must have a highly educated and skilled work force and excellent infrastructure.

But, he added, while pursuing economic progress, Singaporeans must also have a strong grassroots movement to ensure that community spirit was not lost.

Also speaking at the ceremony, Bedok GRC [Group Representation Constituency] MP [member of parliament] Arthur Beng recounted how Fengshan CC had developed a reputation for being a center of excellence for children's activities.

The 300-square meter extension to the CC had enlarged the student care center, which can now cater to more than 120 students.

Other new facilities include a theatre and a multi-purpose room.

Singapore: Admiral Richard Lim Assumes Navy Chief Post

BK2906115096 (Internet) Television Corporation of Singapore WWW in English 1036 GMT 29 Jun 96

[FBIS Transcribed Text] The Singapore Navy's quest to be best little navy in the world has pushed it to achieve excellence in all areas.

This was stated by RSN's [Republic of Singapore Navy's] outgoing chief, Rear Admiral Kwek Siew Jin,

who handed his command to Rear Admiral Richard Lim in a farewell parade.

He said by keeping at the sharp edge of technology and by learning from others to avoid pitfalls, the RSN had derived the maximum gain from its efforts.

Admiral Kwek joins the Singapore Mass Rapid Transit as its managing director from Monday.

Admiral Richard Lim stressed that the Singapore Navy must be the best in its core functions of operations, training, logistics and personnel development.

His tasks would include making the new Changi base the best facility for training and support for naval operations for a long time to come.

The key to the RSN's success would be its ability to attract its fair share of good and committed men and women and train them to be the best in the Navy, he said.

Cambodia

Cambodia: First Prime Minister Ranariddh Interviewed

BK0507094796 Bangkok THE NATION in English
5 Jul 96 p A11

[Interview With Cambodia's First Prime Minister Norodom Ranariddh by Thailand's Independent TV's (ITV) Thechai Yong and Woranan Khroongbunying; date and place not given]

[FBIS Transcribed Text] [ITV] Thai Prime Minister Banhan Sinlapa-acha came with a message from ASEAN that the regional grouping was quite concerned about the domestic situation in Cambodia. ASEAN it seems is worried that this might hamper Cambodia's entry into the grouping. What are your comments on this issue?

[Ranariddh] No, ASEAN is not worried. The prime ministers of Malaysia and Singapore are good friends of mine. Prime Minister Banhan, having seen Second Premier Hun Sen and myself working together so well in dealing with the Thai delegation, is certainly now much more comfortable with the Cambodian situation. He (Banhan) will definitely report this positive development to his ASEAN colleagues.

[ITV] Does that mean that you and the Second Prime Minister are on good terms now?

[Ranariddh] Yes. You see, I have to acknowledge there are differences. But as Prime Minister Banhan himself has pointed out, in Thailand the problems within the coalition government are more serious than that in Cambodia.

We have to be together in order to achieve certain goals. I have three goals. Firstly it's real national reconciliation. Mere words alone are not enough.

Secondly, it's real power sharing. We should not forget that FUNCINPEC [National United Front of An Independent, Neutral, Peaceful, and Cooperative Cambodia], my party, won the elections. So we have to accept to share power for the sake of our country — for political stability in Cambodia. So if there is any real power sharing, we can work together for a very long time.

Thirdly, all Cambodian people have to respect their king as the father of the nation. Based on these three goals, I think all Cambodian parties can work together very well.

[ITV] How close do you think you are towards achieving those three goals — national reconciliation, power sharing and respect for the king?

[Ranariddh] I think now both the CPP (Cambodian People's Party) and Chea Sim (National Assembly president) realise my good intentions. Therefore, we are not only working towards solutions for the differences between our two parties but are also, at the same time, strengthening our relations with each other. We have in 1991 signed the Alliance Agreement between two parties. We have to improve that agreement before the next election in 1998.

[ITV] But you made a threat in March this year to withdraw from the coalition if the question of power sharing was not settled.

[Ranariddh] Yes, we said "if" necessary. If it is not necessary, we will not withdraw.

[ITV] Is it necessary still?

[Ranariddh] For the time being it is not necessary.

[ITV] Is there a deadline?

[Ranariddh] There is no deadline, but power sharing is the major element — real power sharing.

[ITV] But has there been any dialogue between yourself and the second Prime Minister on the question of power sharing?

[Ranariddh] No. I think that's not only the real dialogue, but I still have dialogue in running the government. You know, before any cabinet meeting, I have to meet him and during the cabinet meeting, we are very well together now. I have to think that the situation is pretty improved.

[ITV] Mr Banhan tried a little bit too hard on reconciliation by having you and Prime Minister Hun Sen shake

hands. There were reports that you're not happy about it.

[Ranariddh] No, no, not as reported in the press. No. In fact, I was quite surprised that the report said "Ranariddh was not happy at all". I said to the press that Cambodian people, in particular the politicians, need to have reconciliation among themselves without any foreign help. I praised very much on Prime Minister Banhan's effort but as I said in principle we should do it by ourselves.

[ITV] What do you think of the gesture?

[Ranariddh] The gesture is very good because of Prime Minister Banhan. Stability in Cambodia means stability for Thailand and for ASEAN. And development for Cambodia means development for the region. It is in the interest of Thailand to have a very stable and prosperous Cambodia.

[ITV] The impression we got in Bangkok was that you saw the [Banhan's] gesture as an interference into the internal affairs of Cambodia.

[Ranariddh] No, no, no, who said that? I'm so surprised to hear this from you. I said in one of my speeches that I'm so happy that the visit of Prime Minister Banhan has brought both our countries together. He (Banhan) did very well in taking my left hand and at the same time holding the right hand of Hun Sen. But I said the Cambodian people, for many reasons, have to do it by themselves...

[ITV] Do you have any objections with Prime Minister Banhan showing pictures of you shaking hands with Hun Sen to other Asian Leaders?

[Ranariddh] I do not have any objections.

[ITV] After Prime Minister Banhan's visit how do you see the future of Thai-Cambodian relations?

[Ranariddh] I think relations between our two countries are very good already. Thailand has been helping a lot of the Cambodian refugees. I as a refugee myself took shelter along the Thai-Cambodian border.

I led the resistance and the resistance had been supported by Asian countries, including Thailand, of course. After that Thailand helped in the peace process, the rehabilitation and reconstruction processes of Cambodia — also the road leading from the border to Sisophon. Also, Thailand is helping us in the refurbishment of one of the biggest hospitals in Cambodia — the Somdech Preah Sihanouk Hospital. In terms of training, Thailand has provided us about U.S. \$2 million in grant aid.

[ITV] So there is no problem now between Thailand and Cambodia?

[Ranariddh] No problems at all. We have signed a memorandum of understanding [MOU] to develop the Mae Nam project, which is the biggest bilateral hydro-power project. We are also pushing very hard to have a similar MOU for the joint development of our common sea resources.

[ITV] Does Cambodia have any suspicion that Thailand still supports the Khmer Rouge?

[Ranariddh] I think that for the time being the Khmer Rouge still has, let's say, private relations with some Thai logging companies. But definitely in my opinion there is no official support coming from Thailand for the Khmer Rouge. I can't deny that there might be some crossborder trade between the Khmer Rouge controlled areas and some companies or the private sector of Thailand.

But then again, I have to stress, there is no official support provided by the Thai authorities to the Khmer Rouge. The Khmer Rouge is no longer an issue between both our countries. The Khmer Rouge problem is definitely an internal affair of Cambodia. Let the Cambodia people resolve this problem themselves.

[ITV] We have heard rumours that Pol Pot is dead. Have you heard any thing about it?

[Ranariddh] No, no, no, I haven't. I tried to check myself. Pol Pot was not a subject of discussion among the two delegations (Thailand and Cambodia) and I have to be frank with you that I do not have any clues, but I'll try my best to verify them. I have a lot of friends.

[ITV] But Co-Prime Minister Hun Sen said he knows where Pol Pot is and is aware that the Khmer Rouge leader is not yet dead.

[Ranariddh] I have asked him during the last Cabinet meeting but he was not as clear as the press had reported. But you know Pol Pot is not a real issue for us.

[ITV] Is the Thai media too pessimistic in their reporting about Cambodia?

[Ranariddh] No. I should suggest that the Thai media is becoming very professional as your ITV, which is independent. OK, we need an independent press like in Thailand. But as I said earlier please avoid reporting bad news for the sake of making it front page news in order to sell newspapers. Small reports from agencies are okay. Nevertheless I respect very much the Thai press.

[ITV] But you cannot deny that there have been murders and robberies in broad daylight in Phnom Penh.

[Ranariddh] Yes, but you cannot deny that there are murders also in New York and in Washington DC. You know in Washington DC, the crime rate is the highest in the world. Cambodia has just overcome over 20 years of war.

In Washington DC, there are no wars — nothing. But the crime rate is still the worst in the world. I recognize there're security problems (in Cambodia) but we're going to tackle these problems. But you have to acknowledge that Cambodia had suffered so much for more than 20 years.

[ITV] Over the past year, Cambodia's image has taken a battering by reports that it is becoming a drug trafficking and money-laundering centre in Southeast Asia.

[Ranariddh] That's quite unfortunate. The Far Eastern Economic Review decided to listen to Mr Sam Rangsri and without providing clear evidences. If you choose to carry a story on the front page, you need to substantiate it with clear evidence.

I have asked the United States and France for help in setting up an antidrug brigade. We have also implemented laws and so on to help us in tackling these problems. As far as the United States is concerned, President Clinton said on March 1 in Congress that in Cambodia there was clear cooperation between the authorities and the anti-drug organisation in order to fight against the narcotics.

I myself have said that I do not want Cambodia to be a platform for drugs. I have asked Thailand to clearly cooperate with us in fighting together the drug trafficking problem.

[ITV] King Sihanouk has said he would come back to Cambodia soon because he was quite concerned about the situation. Are there plans for him to come back soon?

[Ranariddh] We hope he'll be back in the country soon because he still is the real father of the nation. We still need him for achieving real national reconciliation and I hope, when his health gets much better, he'll be able to come back home as earliest as possible.

[ITV] What's postponing his return?

[Ranariddh] No, we have to be very frank because everybody knows there is a report in a French journal magazine called *Le Point* quoting Hun Sen as saying that he preferred His Majesty the King not to live in Cambodia but in North Korea and China. So my father wants, before coming back, to be clear whether Hun Sen wants him to be in Cambodia or not. According to

Hun Sen, he never said that to *Le Point*. So I think the clarification is enough.

[ITV] Do you think he can heal the wounds of the two prime ministers?

[Ranariddh] The wounds are not very serious. Yes, he will be able to cure it. I think so.

[ITV] King Sihanouk has warned that the election in 1998 will not be very democratic.

[Ranariddh] No, I haven't heard of it. I assure you that as far as I am concerned I'll do my best in order to make this country a very democratic and liberal one. Therefore, by 1998, I think we'll have a constitution and an election. His Majesty has very clearly and rightly suggested that the United Nations send observers to help us in preparing the constitution — to help monitor the electoral campaign, and to observe the balloting on the day votes are cast.

[ITV] Are you yourself afraid that the 1998 election would not be free and fair? For that reason you are calling for United Nations participation?

[Ranariddh] You know after 23 years of wars and so on, democracy is something new for the people of Cambodia. Therefore I think, even if I am convinced we are able to carry out the elections ourselves, it is better to have foreign observers.

If we do have observers and if the opposition parties lose the elections, they might say it was not really democratic and so on. We need witnesses to say the elections were really democratic, free and fair.

Cambodian Paper: Khmer Rouge Attacked Commune, Seized Weapons

BK0407025996 Phnom Penh REAKSMEI KAMPUCHEA in Cambodian 4 Jul 96 pp 1, 5

[Report by Nuon Vichet]

[FBIS Summary] In a 260-word report the correspondent says that "on 29 June at 0300 an unknown number of Khmer Rouge troops launched a sneak attack on a position of the Khmer Royal Armed Forces (KRAF) at Phnum Kangkep in Chranoke commune, Kompong Leng District, Kompong Chhnang Province, causing damage to a shelter; the Khmer Rouge also seized some war materiel."

"According to police in Kompong Leng District, "the Khmer Rouge attack lasted over an hour, after which Khmer Rouge troops retreated, taking with them a DK gun, an AK rifle, a B-40, a K-54, and a K-57. A KRAF soldier and a villager were wounded; an army

shelter was burned down. It is known that the losses and damage were more extensive than this."

The report quotes a local villager, who was playing music at a wedding on the night of the attack, as saying that "about 30 Khmer Rouge soldiers were involved in the attack."

The report also says that "while attacking Chranok commune the Khmer Rouge also lobbed a DK shell into Chralong village in Da commune, seriously wounding a woman."

Indonesia

Indonesia: Suharto's Medical Situation Reported

BK0407051596 Hong Kong AFP in English
0455 GMT 4 Jul 96

[FBIS Transcribed Text] JAKARTA, July 4 (AFP) — Indonesian President Suharto is to seek treatment in Germany for heart and liver problems, sources close to cabinet ministers told AFX-Asia, an AFP-affiliated newswire, Thursday.

They said the president told ministers Wednesday the health concerns — a swollen heart and contracted liver — were nothing unusual, given his age and weight.

The sources said it was not clear when Suharto would leave for Germany.

One source said ministers were requested to disclose the information to downplay possible speculation.

But another source said it is not clear whether the disclosure was intended for general publication.

Suharto, who turned 75 last month, is serving his sixth consecutive term.

He has been the sole candidate for the nation's top slot since he came to power in 1966, and formally assumed the presidency in 1968.

Suharto's wife, Tien Suharto, died of a heart attack in April this year. His younger brother, Raden Harys Sucipto, died late last year of lung cancer.

There has been widespread speculation about whether Suharto will run for another term at the 1998 presidential elections.

Indonesia: Rupiah Plunges on Reports of Suharto's Health Problems

BK0407054896 Hong Kong AFP in English
0526 GMT 4 Jul 96

[FBIS Transcribed Text] SINGAPORE, July 4 (AFP) — The Indonesian rupiah plunged against the US dollar Thursday following reports that President Suharto is to

seek treatment in Germany for heart and liver problems, dealers said.

The US dollar rose to 2,334 rupiah just after noon (0400 GMT) from 2,326 in most of morning trading in Singapore, Asia's leading trading centre for regional currencies, dealers said.

"The rupiah's drop is significant in the context of the stability we had seen in the Indonesian currency in recent weeks," Desmond Supple, senior economist with British financial consultancy I.D.E.A., told AFP.

Indonesia: Official Comments on Suharto Trip to Europe

BK0507073996 Hong Kong AFP in English
0422 GMT 5 Jul 96

[FBIS Transcribed Text] JAKARTA, July 5 (AFP) — President Suharto of Indonesia is to go to Europe for a medical check up, State Secretary Mardiono announced Friday, following mounting speculation about the authoritarian leader's health.

The 75-year-old president will leave on Sunday, the minister told journalists.

"The president will go abroad," Mardiono said, "with the aim of undergoing a medical check." He did not name the country but said it would be in Europe.

Suharto was advised to go abroad by presidential doctors after a regular checkup on June 26. Mardiono said they advised further checks using "more sophisticated equipment than those available in the country."

On Thursday, reports quoted sources close to ministers as saying Suharto would go for treatment in Germany for heart and liver problems.

Mardiono said check ups in foreign countries were "something normal" that many officials did.

The president would be accompanied by "a very small staff" which would not include a minister. But Mardiono did not exclude the possibility that some of Suharto's sons and daughters would accompany him. He said it would depend on their schedules.

The cabinet sources quoted the president as telling ministers on Wednesday that his health concerns — a swollen heart and contracted liver — were nothing unusual, given his age and weight.

Suharto was hospitalised in August 1994 for kidney stone problems.

Indonesia: Irian Jaya Tribe Rejects Compensation Offer

BK0307050196 Sydney *THE SYDNEY MORNING HERALD* in English 3 Jul 96

[Report by Louise Williams, Herald correspondent in Jakarta: "Irian Jaya tribes reject miner's offer" — received via Internet]

[FBIS Transcribed Text] Tribal leaders from Irian Jaya have rejected a trust fund offer by the U.S. mining giant Freeport, saying it is a meaningless and inadequate compensation for tribal lands lost to the huge copper and gold operation.

Earlier this year Freeport offered 1 per cent of its profits to the local Irian Jaya communities around the mining site at Timika in the face of escalating opposition to the mine and growing social unrest. Lawyers representing the Amungme and Komoro tribes said they had been instructed to reject the trust fund absolutely and unconditionally.

Freeport originally announced the allocation of \$US15 million (\$19.2 million) to local tribal communities as well as increased employment and training opportunities for local people at the mine.

However, a lawyer, Mr. Martin Regan, said the offer had now been put at \$US500,000 a year.

"Each Amungme and Komoro will only receive 48 US cents a week. What do you expect them to buy with such a sum of money?"

"The amount was far below that of the trust fund previously mentioned by a senior Freeport official," Mr. Regan told the English-language Jakarta Post.

He said the leaders of seven other local tribes had been bribed by Freeport to endorse the trust fund. The Dow Jones News Service reported last month that Freeport had transferred 500,000 rupiah (\$270) to each of the seven leaders to "accommodate" the signing of the draft agreement due to take place late yesterday. The Amungme leader, Mr. Tom Beanal, has responded to the \$US500,000 annual offer by filing a law suit against Freeport in the U.S. District Court.

Freeport is mining one of the biggest known deposits of copper and gold in the world in Irian Jaya. Its multi-million dollar profits have made it Indonesia's largest taxpayer.

In his law suit, Mr. Beanal accused Freeport of "ecoterrorism", cultural genocide and corporate policies which have led to human rights violations against tribal people and the destruction of natural resources used by the tribes.

He also accused Freeport's private security guards of engaging in, or being involved in, summary execution, arbitrary arrest, detention, torture, disappearances, surveillance and the destruction of property. The Freeport trust fund is widely regarded by the mining industry as a test case for multinational companies operating in remote areas subject to tribal land claims.

Irian Jaya is one of the world's most remote wildernesses. The site of the Freeport mine was previously an inaccessible tract of mountains sparsely populated by isolated tribes.

The conflict around the mine is further heightened by opposition to Indonesian rule in Irian Jaya. The Irian Jaya people share their ethnic and cultural identity with neighbouring Papua New Guinea - independent since 1975 - and they resent Jakarta's rule.

A sporadic guerilla war against Indonesian troops in Irian Jaya, many of whom have been deployed to protect the Freeport mine, is continuing.

Indonesian Military Chief: Irian Jaya Rioters To Be Shot 'On the Spot'

LD0507093696 Melbourne *Radio Australia* in English 0700 GMT 5 Jul 96

[FBIS Transcribed Text] Troops in the eastern Indonesian province of Irian Jaya have been ordered to shoot rioters on the spot. The chief of the local military district, Colonel Malen Niangalan, said the order had been issued following riots earlier this week in the town of Nabire on Irian Jaya's north coast.

He said the security forces would not hesitate to shoot on the spot anyone who tried to commit further violence.

At least three soldiers were reported to have been seriously wounded in the riots in Nabire involving hundreds of youths. The authorities claim that the rioters were protesting over a lack of jobs and were not connected with Irian Jaya's separatist movement.

The riots were said to have caused serious damage to more than 100 buildings, including the local legislative office, as well as a market, shops, and private houses. The rioters also freed 41 prisoners from the Nabire prison. At last report 14 of them were still at large.

Indonesian, Portuguese Talks on East Timor Reported

BK2906095396 Jakarta *KOMPAS* in Indonesian 29 Jun 96

[ANTARA report — received via Internet]

[FBIS Translated Text] Geneva, ANTARA — The eighth round of tripartite talks between Indonesian

Foreign Minister Ali Alatas and Portuguese Foreign Minister Jaime Gama under the sponsorship of UN Secretary General Butrus Butrus-Ghali ended on 27 June without concrete results, although substantive points of efforts to settle the East Timor issue were discussed.

"Indeed, we have to admit that there was very little progress at the eighth round of tripartite talks, but the substantive points of efforts to achieve a fair, comprehensive, and internationally acceptable solution to the East Timor issue were discussed," Foreign Minister Ali Alatas said after the conclusion of the tripartite meeting.

The tripartite meeting began at the UN building in Geneva on Thursday morning. UN Secretary General Butrus-Ghali held bilateral talks, first with Foreign Minister Alatas, and later with Portuguese Foreign Minister Gama. After that, the Indonesian and Portuguese foreign ministers met together with the UN secretary general.

The Indonesian delegation was headed by Foreign Minister Ali Alatas. Members of the delegation were Ambassador Agus Tarmidzi, permanent representative of the Republic of Indonesia to the United Nations in Geneva; Ambassador Nugroho Wisnumurti, permanent representative of the Republic of Indonesia to the United Nations in New York; and Dr. Nurhasan Wirayudha, director for international organizations at the Department of Foreign Affairs.

According to a joint communique issued at the end of the tripartite meeting, the two foreign ministers discussed the developments that had taken place since a similar meeting was held in London in 1996. These included the implementation of the statement of the chairman of the UN Human Rights Commission, which was unanimously adopted at the 52d session of the commission in 1996.

All-Inclusive Intra-East Timorese Dialogue

The two foreign ministers welcomed the convening of the fifth round of the All-Inclusive Intra-East Timorese Dialogue (AIETD), which was held in Burg Schlaining, Austria from 19 to 22 March. The UN secretary general also sponsors the AIETD.

The two foreign ministers positively welcomed the UN secretary general's intention to convene the next round of the AIETD under a framework similar to one at the fifth round. Nevertheless, its venue and date have yet to be agreed upon.

The Portuguese foreign minister proposed that the next rounds of the AIETD be rotated between Jakarta, Lisbon, and even Dili. Alatas said the Portuguese proposal

could be accepted, but added that Indonesia questioned its usefulness under the present circumstances.

Alatas said it was better to resume the AIETD in a neutral country, such as Austria, under the present circumstances, to avoid possible undesirable incidents.

"Can Portugal guarantee that there will be no demonstrations if leaders of the Indonesian province of East Timor go to Lisbon? We have already had a bitter experience. East Timorese pilgrims were brutally treated during their first visit to Portugal some time ago," Alatas said.

Indonesia: East Timor Youths Question Continued Military Presence

BK0307095096 Jakarta THE JAKARTA POST
in English 3 Jul 96 p 2

[Report by T. Sima Gunawan]

[FBIS Transcribed Text] Dili, East Timor (JP) East Timorese Catholic youths questioned yesterday the presence of the military and its "excessive" authority over the region.

"How come it is always the army who handles everything here? What kind of authority does it have in East Timor," a young man said.

"It should be the police who have greater authority (on maintaining security and order) here, not the army," another said.

The issue was brought up in an open dialog — the first of this kind — between some 1,000 Catholic youths from the province's 13 district parishes and Governor Abilio Jose Osorio Soares. Also present from the military were Major General Abdul Rivali of the Udayana Military Command, whose authority covers the provinces of Bali, West Nusa Tenggara, East Nusa Tenggara, and East Timor; Colonel M. Simbolon, chief of the East Timor Military Command; and the provincial police chief, Silvanus Y. Wenas.

The meeting was held at the Don Bosco meeting hall here yesterday. Father Antonio Gonsales of the Dili diocese moderated the dialog.

Abilio said that it's "not important who has the authority to do this or that here, what matters is whether the authority is being exercised properly."

"East Timor was built by the Armed Forces (ABRI). Why should I mind if ABRI interferes? I thank them," the governor says.

Both Wenas and Simbolon pointed out that the army and the police help one another in maintaining security

and order in the province. There are only 3,200 police officers for the East Timorese population of 850,000.

"Police alone won't be able to handle rioting, should it occur. Please understand," Simbolon pleaded.

Rival told the youths they gave him the impression that they did not like the presence of the military here. "But it doesn't upset me," he said. "This is a natural thing for a country which has only been independent for 50 years, let alone for East Timor."

East Timor was integrated into Indonesia in 1976. The United Nations however still recognizes Portugal as the administering power there. A number of separatist groups have reportedly made use of this recognition issue to draw international attention, and to reportedly incite local unrests.

"Please beware of these groups," Simbolon said. "They are trying to take advantages of the situation...they are slandering ABRI."

In another part of the dialog, Rival called on the youths not to be provoked easily by rumors or resort to violence and vandalism. "Don't become an opposition," he said.

East Timor was recently rocked by a number of riots. One of the incidents was triggered by blasphemous remarks of a non-native.

Simbolon yesterday said he has ordered the establishment of a special team to probe into the more recent religious riots.

The youths yesterday complained that the region has yet to reap the benefits brought by national development. "What's the use of beautiful buildings and roads if we can't live in peace?" said one youth. He also said that too many East Timorese are now without jobs.

Abilio said the people are always the focus of provincial development. "The problem is how do we make use of facilities and the infrastructure," he said.

Indonesia: Jakarta, Baghdad Agree To Barter Food for Oil

BK0407034996 Jakarta MEDIA INDONESIA in Indonesian 4 Jul 96

[Unattributed report — received via Internet]

[FBIS Translated Excerpt] Jakarta (MEDIA) — Indonesia and Iraq have agreed to barter food for oil, Mining and Energy Minister Ida Bagus Sujana said in Jakarta on Wednesday [3 July].

Sujana told reporters prior to a limited cabinet meeting on economy, finance, and development supervision that the imported Iraqi oil would be processed by an oil refinery in Cilacap, Central Java.

The mining and energy minister, however, declined to disclose the precise amount and value of the oil to be imported from Iraq or the kinds of food Indonesia would export to Iraq.

Indonesia currently imports oil from Saudi Arabia and Iran. Their oil is processed into fuel and other oil products here.

Under a UN resolution passed in May, Iraq is allowed to export U.S. \$2 billion worth of oil or 700,000 barrels per day to purchase food and medicine.

Sujana added that Indonesia would respect the OPEC production quota. OPEC ministers agreed last month to raise the production quota from 24.52 million to 25.03 million barrels per day. [passage omitted]

Laos

Laos: Meeting Held With High-Ranking Cuban Party Delegation

BK0507023596 Vientiane KPL in English 0940 GMT 4 Jul 96

[FBIS Transcribed Text] Vientiane, July 4 (KPL) — A talk between high-ranking party delegations of Laos and Cuba was held here yesterday.

Leading the Lao side was Thongsing Thammavong, Politburo member of the party CC [Central Committee], head of the Organisation Board of the party CC. The Cuban side was headed by Jose Ramon Balaguer, Politburo member of the Communist Party of Cuba and head of the External Relations' Committee of the Party CC.

The sides informed each other of socio-economic development in their respective countries and issues of mutual interest. The head of the Lao delegation highly valued Laos' visit by the Cuban delegation and hoped that the visit would significantly boost the relation of cooperation between the two nations.

The Cuban delegation arrived in Laos on July 3 and is scheduled to work here until July 7. The visit is at the invitation of the Lao People's Revolutionary Party Central Committee.

Laos: Khamtai Siphandon, Party Return From Eighth CPV Congress

BK0207133396 Vientiane Vithayou Hengsat Radio Network in Lao 1200 GMT 2 Jul 96

[FBIS Translated Text] A high-level delegation of the Lao People's Revolutionary Party [LPRP], comprising Comrade Khamtai Siphandon, chairman of the LPRP

Central Committee [CC]; Comrade Thongsing Thamavong, member of the LPRP CC Political Bureau; and Somsavat Lengsavat, chief of the LPRP CC Foreign Relations Board, returned to Vientiane this morning after attending the Eighth Congress of the Communist Party of Vietnam (CPV) held in Hanoi at the invitation of the CP/CC.

A welcoming ceremony for the high-level LPRP delegation was officially held at the National Assembly in Vientiane. Attending the welcoming ceremony were comrade advisers of the LPRP CC, comrades members of the LPRP CC Political Bureau, and comrades members of the LPRP. Comrade [Vu Son-Tuu], charge d'affaires ad interim of the Socialist Republic of Vietnam, was also on hand at the welcoming ceremony.

Laos: DPRK Party School Delegation Visits Politburo Member

BK0507021396 Vientiane KPL in English
0943 GMT 4 Jul 96

[FBIS Transcribed Text] Vientiane, July 4 (KPL) — Member of the Standing Committee of Party Political Bureau (SCPB), Head of the Organisation Board of the Party CC [Central Committee] Thongsing Thamavong, received here a delegation of the Worker's Party of Korea headed by its deputy director, Yun Jongguk.

Member of the SCPB commended the visit to Laos by the Korean delegation which would enhance the ties between the two higher party schools of the Lao PDR [People's Democratic Republic] and the DPR [Democratic People's Republic] of Korea.

The deputy director of the Korean higher party school informed Thongsing Thamavong of the purpose of the visit which was to draw lessons between the two countries' higher party schools.

Accompanying the guest on the occasion was Mr. Siluea Bounkham, member of the LPRP CC and director of the National School of Administration.

Philippines

Philippines: Ramos Urges Reaffirmation of Ties With U.S.

BK0507044096 Quezon City Radio Filipinas
in English 0230 GMT 5 Jul 96

[FBIS Transcribed Text] An American flag was slowly lowered and a Philippine flag rose in its place, Thursday, as the Philippines re-enacted the ceremony 50 years ago in which the United States granted its independence. Ships in Manila Bay fired their guns and World War II vintage planes flew overhead as American and

Philippine officials delivered the same speeches that were read in the original independent ceremony on 4 July 1946 that ended nearly 50 years of US colonialism. The exchange of flags signalled the end of America's experiment as a colonial power and gave the Philippines, then struggling to recover from the devastation of World War II, its official independence.

Although once observed as Philippine Independence Day, 4 July is now officially called Philippine-American Friendship Day. Instead the Philippines now officially observe its independence on 12 June, the day in 1898 when a group of patriots declared independence from three centuries of Spanish colonial rule. That declaration however was never realized because the United States seized control of the Philippines after defeating Spain later the same year using military force to defeat the swelling independence movement.

President Ramos said that the Philippines and the United States must reaffirm the enduring nature of their friendship which has served both countries so well through the years. In his speech during the 50th anniversary of the Philippine Republic and Philippine-American Friendship Day held at the Quirino Grandstand in the Luneta, the president said that both countries must work together with the candor and respect that come not only with being old comrades but also with the commitment and energy expected from partners for mutual benefits.

President Ramos expressed his appreciation to President Bill Clinton, whom he said has been his partner in moving Filipino-American relations on through a faster track. The president said Philippine-American friendship is built on common values that uphold democracy, liberal and open society, religious and press freedom, human rights, and individual liberty.

Meantime, US President Clinton, in a message sent to President Ramos extended the best wishes of the American people to the Filipino people on the special occasion of the 50th anniversary of the independence of the Philippines. Clinton said that during World War II, Filipinos and Americans forged bonds that went far beyond mere political links. These bonds he said were built on a common belief in the freedom of the individual and the strength of democracy.

Philippines: Ramos Discusses 4-Year Gains, 2-Year Targets

BK0207111096 Manila BUSINESS WORLD
in English 2 Jul 96

[Address of H.E. President Fidel V. Ramos "Ulat sa Bayan [Report to the Nation] of the Presidency",

SOUTHEAST ASIA

Malacanang, Manila, 1 July 1996 — "Finish the Job: See the Dawn of a New Day" — received via Internet]

[FBIS Transcribed Excerpt] [passage omitted on celebration of 1996 as national heroes year]

Today we begin the last two years of my presidency and our task of national administration.

A member of my Cabinet has suggested this time is comparable to the "last two minutes" in basketball — when everything is laid on the line, to win or to lose.

It is a vivid metaphor — but it does not fit our present situation. We are not in such a do-or-die situation anymore. The challenge now is no longer to survive but to finish the job so we can prosper — to complete our victory against national inertia, stagnation and poverty, and to move upward with confidence towards our place in the community of progressive nations of Asia.

And when we look ahead — to the day of our centennial of independence and the new century looming on the horizon — we can see the outlines of a prosperous and free society.

To finish this journey is the challenge before us today. The work of completion — of policies, programs and projects — will define these final two years of my administration.

This work must begin with a review of what we have already done not to flatter ourselves or to impress anyone, but to emplace firmly the nation on the long road to modernization and development.

Meeting Economic Targets

We launched the vision of "Philippines 2000!!!" — an act of telling our people what is within our capacity to build during my watch. We defined that goal in terms of three specific economic objectives:

- to raise national per capita income from \$780 to at least \$1,000 by 1998;
- to enable our economy to grow by an average of 6-8% during the remainder of the 20th century; and,
- to reduce poverty incidence among our people from about 40% to 30%.

Let us look at the results of the work that followed.

The target of income per head we exceeded last year — or three years ahead of schedule. Today, it stands at P [peso] 27,909 — or \$1,085 according to the current exchange rate. Thus, we have pushed our 1998 target to \$1,350.

This has been made possible by an economic turnaround that has won worldwide attention — even praise.

This was achieved through the close collaboration of congress, the executive branch and the business sector.

From zero growth at end of 1991, gross national product (GNP) grew progressively — by 1% in 1992; 2.8% in 1993; 5.3% in 1994; and 5.5% in 1995. In the first quarter of this year, the economy grew by 6.2%.

Our incidence of poverty stood at 39.9% in 1991. By 1994, it had been reduced to 35.7% and, with our continuing development programs and accelerating growth, our 1998 target is well within reach.

The best indication, perhaps, of how far we have gone is that we no longer qualify for certain overseas development assistance facilities. We have graduated from the World Bank's international development assistance (IDA) facility for the poorest countries — because we have surpassed the \$1,000 per-capita-income threshold.

Balance-of-payments problems. [no further details as received]

Peace and Development Are Within Reach

Economic growth, however, is only one part of the story of these past four years. Just as significant are political stability and civil peace — which are the foundations for development.

Without political stability we would not have stopped the decline of the economy and the decrease of our social cohesion. Peace is dawning on the conflicts that once seemed beyond solution.

Today — 20 years after the Tripoli Agreement — we stand at the threshold of a comprehensive, just, and durable peace in the southern Philippines.

Last week's breakthrough in the Mindanao peace process is a fitting response to our search for multi-lateral solutions to national challenges. Just like the Association of Southeast Asian Nations (ASEAN), the East ASEAN Growth Area (EAGA), or the Asia-Pacific Economic Cooperation (APEC), the Mindanao peace process signifies transnational partnership and solidarity for peace and development.

The involvement of the Organization of the Islamic Conference (OIC) in this effort broadens the reach of these partnerships to include many more nations, governments, and peoples.

I know there are anxieties about the pace and development process — within Christian communities in Mindanao; within the Muslim communities, within the national community.

But we will never triumph over conflict if we insist on garrisoning ourselves against each other. Peace means

seeking consensus within the constitutional framework. Peace means finding unity in diversity. Peace means exorcising the ghosts of history — and starting anew.

I appeal to every Filipino to stand by government as we install the transitional structure called the Southern Philippines Council for Peace and Development (SPCPD) which will play a leading role in transforming Mindanao, Sulu and Tawi-Tawi from the backwater to the frontdoor of national progress.

The peace talks with the National Democratic Front (NDF) have resumed. We have called on the other side to move to the substantive issues, so that we can end the armed conflict with the New People's Army — and then move on progressively.

The military rebels have returned its heavy and light weapons to the government. In the meantime, I have approved an amnesty proclamation for them.

On the labor front, we have achieved industrial peace. Despite the continuing debate over the issue of an across-the-board wage hike, relations between management and labor in the country have never been better.

Dealing with Terrorism and Criminality

To deal with terrorism as a threat to our national stability and security, we have reconstituted the national action committee on anti-hijacking and terrorism. We convened last February an international conference among 19 major countries against all forms of terrorism.

In our drive against crime, we are making substantial progress — in reducing crime incidence, in improving crime-fighting capabilities, and in fighting violent crimes.

In cooperation with the Supreme Court, we are also working towards the speedier disposition of criminal cases as one of the cornerstones of an effective criminal justice system.

The national summit on peace and order last April drew up a master plan for peace and order over the next nine years. This plan promotes the partnership between government and the private sector in the pursuit of public safety. And it sets clear targets for achievement year by year.

However, the brazen robbery of a jewelry shop in the heart of Makati and the continued incidence of kidnapping indicate the need for us to improve our procedures for preventing and responding to robbery and kidnapping incidents, especially in commercial centers and in schools.

We are therefore, committed to continually professionalize the uniformed force by purging it of scoundrels

from both the PNP [Philippine National Police] and AFP [Armed Forces of the Philippines], and aggressively enforcing laws against graft and corruption. Even as we upgrade the pay scales of our law-enforcement and military personnel forces.

We will vigorously pursue our moral recovery programs. In the campaign against graft and corruption, the entire bureaucracy — civil servants and uniformed personnel, elective as well as appointive executives — are the objects of scrutiny. No one is untouchable.

[passage omitted on government's efforts of bringing itself closer to the people, infrastructure modernization program]

Diplomacy in the Service of Development

There is a new reality that underscores our national life. We are part of a new global economy — in which every nation must compete, if it is to prosper.

For many years, we did nothing to compete. While our neighbors challenged the West in productivity and innovation, we plodded on with the sorry products of our protected industries.

But we are now helping ourselves more than before. In place of the Cold War that once consumed our diplomatic energies, we are now building partnerships with a far wider range of countries covering all continents — to foster our economic growth through intensified diplomacy and marketing promotion.

We have risen in prestige and respect in the councils of nations. We also took part last March in Bangkok in creating a new framework for cooperation between Asia and Europe (ASEM).

And now, we have the privilege of hosting the fourth Asia-Pacific Economic Cooperation (APEC) Summit of Leaders, here in Manila and Subic. This is a challenge without precedent in our history. But with the challenge comes a unique opportunity — to show what Filipinos can do and, subsequently, to profit from the effort.

We have also endeavored to provide better protection for our Filipino workers abroad through negotiations for more social security agreements, better employment contracts, and an intensified international efforts for the ratification of the convention on the protection of migrant workers and their families. [passage omitted on government program to improve quality of life of the people, update on Subic and Clark as hubs for trade and investment, and social reform agenda]

Agenda for the Next Two Years: Democratic Development

To this task then of completing our national transformation, let us turn our attention and energies these next two years.

Two years may seem short to those who think at time merely in terms of the next elections. But to those who labor to produce and create — a day, a week, a month, a year — is always long and eventful. And two years are a long time, indeed.

So, as we begin these last two years of my presidency, I speak of tasks we still must complete.

I want to see our achievements in the economy crowned by greater vigor in business and industry that rivals the tremendous achievements of our neighbors.

I want to see us use the peace dividend to bring our strife-torn areas and our rural people into the network of progress.

I want to see the Filipino farmer response positively to the challenges of the new world trade order through increased efficiency, productivity and profitability. This should ensure the attainment of our food security and food self-sufficiency objectives.

All this now we can do because we have already reached the take-off state for sustainable development.

Consider this, in just four years — starting from a base of zero growth — we are today being hailed as the new Asian Tiger cub and the "hottest" emerging market in the region.

In just four years, we are today regarded as living proof that democracy is not incompatible with development; that, indeed, democratic institutions can foster fertile conditions for progress, which authoritarian systems can never match.

In just four years — from a climate of pessimism and doubt about ourselves — we have awakened hope throughout the land and renewed our faith in ourselves and in the future.

If we did all these, imagine then what we can achieve from here on — with so much more upon which to build!

If we can turn ourselves from the habit of negativism to a culture of confidence and unity, imagine what we can win in two more years of concentrated effort!

Closing

More than a century ago — in another fateful hour for our country — Jose Rizal told his fellow exiles in

Europe what needed to be done: "The field of battle is the Philippines; that is where we should meet... that is where we should help one another; that is where we should suffer or win together."

Rizal died "without seeing the dawn." But we who were born under the shade of what he and others planted, stand now in the gathering light of a new day.

Let us make this new dawn shine on every home and every community throughout our beloved land.

Salamat sa inyong lahat! Mabuhay ang Pilipinas!
[Thank you everyone! Long live the Philippines]

Thailand

Thailand: Editorial Proffers Advice to U.S. on World Trade

BK0507060596 Bangkok THE NATION in English
5 Jul 96 p A4

[Editorial: "The U.S. Must Not Try To Step Over the Line"]

[FBIS Transcribed Text] Since becoming the sole and unchallenged superpower following the collapse of the Soviet Union, the United States has won its way considerably into the various international multilateral forums. Recently, it pushed for anti-terrorism cooperation measures among major developed countries. At the same time, it is working hard for the global liberalisation of the services sector.

Nevertheless, signs have appeared that the US is prepared only to take and not give — and this is coupled with a growing tendency to go beyond the norm of international rules. These range from unilateral decisions, whether economic or political, that are taken by the US Congress, and which the White House has tried to spoonfeed to other nations, to the unreasonable unwillingness to pay its debts to the United Nations.

But most of the controversy has been generated in the economic arena. The US has been locked in a dispute with the European Union over the US Helms-Burton Act that allows private legal action against foreign companies doing business in Cuba. Congress is also contemplating the implementation of sanctions against companies investing in Iran and Libya.

Violation of WTO Rules

Such initiatives are not just unilateral; they could be a violation of the World Trade Organisation's rules and code of conduct.

US President Bill Clinton later yielded to strong EU pressure in signing a joint communique at the G-7

meeting in Lyon, which was tantamount to an agreement that seeks to avoid such an undertaking again. Clinton must live up to this commitment not to exercise the Helms-Burton Act.

That was a healthy sign from the developed nations since their joint declaration shows a willingness to allow other nations to participate in ongoing talks on various issues under the WTO and other multilateral agreements. It also ended the tendency to draw in the rest of the world into issues that are really Washington's own concern and obsession.

The consensus building mechanism must be upheld in the international forums so that it will allow the US to conduct diplomacy with other nations at a smoother pace rather than resort to hitting people with a "hammer on the head" - because there is a win-win situation here for everyone. The world should not be blackmailed into accepting the US position just because Congress says so.

Sticking Differences

The recent G-7 summit has also set the stage for developed nations to reaffirm their commitment to the multilateral trade system. This will pave the way for a productive first ministerial conference of the WTO in Singapore in December.

However, there are still sticking differences in principles - among the West and East and between developed and developing nations - with regard to discussions on issues related to trade and labour standards and the environment.

Meanwhile, the ongoing agreements on liberalisation in trade and services, which also covers the maritime, information technology and financial sectors, have not progressed into anything substantial. The US has also tried to push the WTO into discussing corruption in government procurement - something which was rejected by ASEAN previously.

The US remains as the world's most impatient nation. It must avoid being tempted to reinvent itself constantly as a nation. It must also stop trying to globalise the world to fit its needs.

More importantly, it must understand that the rest of the world has second thoughts on too many changes taking place at a very rapid pace. Cultures and traditions have an intrinsic place in society despite the "conveniences" that McDonald's and Microsoft can possibly bring.

Thailand: Commentary Urges U.S. To Follow ASEAN Policy on Burma

BK0207100396 Bangkok PRACHACHAT THURAKIT in Thai 1-3 Jul 96 p 8

[Commentary: "The U.S. Mission Aimed at Pressuring Burma Achieves Half-Success"]

[FBIS Translated Excerpt] The recent visit to Burma of former U.S. envoy William Brown and Stanley Roth, who recently retired from the U.S. National Security Council, could be termed unsuccessful because it did not achieve the goal set by President Bill Clinton. The main purpose of their visit to Asian countries was to garner support for a popular united front to apply pressure on the Burmese Government to stop killing its people who are waging a struggle for a democratic system in Burma. The U.S. envoys spent about a week discussing the issue with Japan, the Philippines, Indonesia, Singapore, Malaysia, and Thailand on ways to control the Burmese military government's exercise of power but they received no real concrete suggestions.

The U.S. envoys returned home empty-handed. Japan and the other countries on their itinerary merely expressed concern about the State Law and Order Restoration Council's (SLORC) use of force to suppress people who disagree with government policies. Moreover, those countries felt that commercial and other relations with the Burmese Government should continue. They believed that regardless of how much the United States is concerned about human rights of the Burmese people, the policy of economic boycott against Burma is not a good way to solve the problem as it is both impractical and undesirable. [passage omitted]

On the political front, Burma has been invited by ASEAN to attend its annual meeting next month as an observer, which is the final step before being accepted as full member. Burma also will attend the regional security meeting - the ASEAN Regional Forum - in Jakarta. ASEAN's policy has always been noninterference in the internal affairs of each other. Therefore, it has no policy to interfere in internal affairs of Burma. ASEAN governments feel that economic success will contribute to political change in Burma, more so than the use of pressure. Singapore cited the example of Thailand, which had been ruled by military dictatorships when ASEAN came into existence in 1967 but eventually changed to the current democratic administration.

The current ties with Burma may not achieve the desired situation there as quickly as many may want, but it is necessary to maintain dialogue with Burma. Another important point is that for a transfer of power to take

place in Burma, it is necessary to have continued and gradual changes to the economic and political system there. However, Washington's policy is just the opposite. It has prohibited international financial institutions from providing development aid to Burma. The U.S. congress plans a law that will ban U.S. businessmen from investing in Burma and importing Burmese goods. U.S. passport holders will be banned from traveling to Burma. An increasing number of U.S. local governments have passed a law banning contracts with companies which have businesses in Burma.

The fact is Burma has little contact with other countries and, therefore, will be minimally affected by an economic boycott. The Violence that occurred in Rangoon has deteriorated ties with the U.S. Anti-SLORC sentiments could increase as the U.S. presidential election approaches in November. If the U.S. Government does not have enough time to devote its resources to the Burmese situation, it should heed the suggestions of the countries that are close to the situation. Washington should support the ASEAN position on Burma (similar to the stance it adopted regarding Cambodia in the 1980's) although this could cause it some internal political problems in election year.

Thailand: Private Investment Declines in Mekong Subregion, China

BK2806114296 Bangkok THE NATION in English
28 Jun 96 p B1, B2

[Unattributed report]

[FBIS Transcribed Text] Thailand's private investments in the five countries constituting the Mekong Subregion have slowed due to political uncertainty, shortages of infrastructure and safety concerns, Board of Investment [BoI] Secretary-General Sathaphon Kawitanon said.

From 1988 until May this year, Thai businesses launched a total of 2,449 projects worth a combined investment of U.S. \$5.59 billion (Bt140 billion), with China being the biggest recipient taking in 2,114 projects worth \$2.7 billion, followed by 228 projects worth \$1.95 billion in Laos, 57 projects worth \$490 million in Vietnam, 29 projects worth \$421 million in Burma, and 21 projects worth \$30 million in Cambodia.

The flow of Thai investments to these countries, excluding Burma, has slowed after the first wave of investors faced problems and failed to make profits. Some have pulled out while others are not willing to expand their interests, Sathaphon said.

To stimulate investment, the BoI will organize a three-day workshop to renew confidence among prospective Thai investors in the economies of the Mekong Subre-

gion. Chanthol Sun, secretary of state for the Ministry of Economics and Finance of Cambodia; Nguyen Nhac, vice minister of Planning and Investment of Vietnam, and Peng Muyu of China's Yunnan province have been invited to speak at the workshop in Bangkok.

The BoI reported that most Thai projects in Burma are in the hotel, tourism, oil and gas exploration, telecommunications and hydro-power sectors. The major obstacles are money transfer difficulties, lack of currency stability, and shortages of power. In China's southern province of Yunnan, most projects involve animal feed production, food and processing, hotels, tourism, power plants and banks. Among the major investors are Charoen Phokkaphan Group [CP], Saha Union, Krung Thai Bank, and Saha Phatthanaphibun. Major problems are strict foreign exchange control, problems with Chinese state enterprises, and infrastructure shortages.

In Vietnam, most projects are in Ho Chi Minh City and Hanoi, with CP, Siam Cement, M Group, the Petroleum Authority of Thailand, TN Group and Summit Autoparts among the investors.

The major problems in Cambodia are political instability, shortage of infrastructure, inefficient bureaucracy and lack of civil safety. Most of the 21 projects in Cambodia involve forest products, restaurants, tourism, hotels, banking, mobile telephone services, food processing, textiles and building materials. Among the major investors are Charoen Phokkaphan Group, Samat Telecom and Chinnawat.

In Laos in the past few years, Thai investments have fallen. In 1995, only eight projects worth \$1.65 billion won approval.

Thailand: Parliament President Reports Results of PRC Trip

BK0107084696 Bangkok Radio Thailand Network
in Thai 0530 GMT 1 Jul 96

[FBIS Translated Text] The visit to the PRC by Parliament President Bun-ua Prasertsuwan from 24 to 30 June was successful in promoting relations between the legislatures, which will pave the way for future cooperation.

Bun-ua Prasertsuwan, in his capacity as the chairman of the ASEAN Interparliamentary Organization [AIPO], granted an interview with reporters in the PRC after leading an AIPO delegation to the PRC comprising representatives from six countries—Malaysia, Indonesia, the Philippines, Singapore, Vietnam and Thailand. He said that he had called on PRC Premier Li Peng. The PRC premier reaffirmed his commitment to peace in this region. Despite some conflicts in the past, China

will try to settle the conflicts and to promote free trade and exchanges of visits.

A Public Relations Department correspondent also reported that the AIPO delegation also made observation tours of and exchanged views with some Chinese regions, such as Sichuan Province and Guangxi Zhuang Autonomous Region. The delegation was welcomed by the chairmen of the provincial and autonomous region people's congresses, which pledged to promote trade with ASEAN countries.

Thailand: Three Arrested Burmese Soldiers Released in Tak

BK2806114396 Bangkok THAILAND TIMES
in English 28 Jun 96 p A2

[Report by Atsawin Phinitwong]

[FBIS Transcribed Text] Tak — In a bid to improve relations between the two countries, Thai authorities yesterday released three Burmese soldiers, arrested for illegally entering the country.

The three privates, identified as Saw Htay, Saw Mya, and Ye San U, were arrested at Mae La village in Tha Song Yang district last month on charges of illegal entry into Thai territory.

Mae Sot's 4th Infantry special unit Commander Col. Suwit Maenman, who is also the chairman of local Thai-Burmese Border Committee, said after questioning the three unarmed soldiers [that] they were deemed to be of no threat to national security.

Suwit said the Burmese men were detained for a month on charges of illegally entering the country. However, they were released in accordance with an agreement between the two countries.

The commander handed over the three soldiers to Myawaddy's Immigration Department chief Pol [Police] Capt. Saw Naing at the Thai-Burmese friendship bridge.

The Burmese immigration chief said the three soldiers will be charged with neglecting their duties and illegally leaving the country.

Thailand and Burma's relations turned sour after a series of conflicts relating to border demarcation.

In spite of numerous meetings of the Thai-Burmese Regional Border Committee, the two countries have failed to reach agreement on several issues.

Thailand: EU Rule Threatens Shrimp Exports From Thailand

BK2806133996 Bangkok BANGKOK POST
in English 28 Jun 96 p 20

[Report by Somphon Thapanachai]

[FBIS Transcribed Text] The European Union must not discriminate against imports of frozen cooked shrimp from Thailand, said Sumitra Worakunchaloem, deputy director-general of the Foreign Trade Department.

Ms Sumitra said the EU has issued new regulations, effective September 29, that say EU importers who buy frozen cooked shrimp from Thailand must use no more than 0.2% diluted benzoic acid to preserve the frozen shrimp.

The regulations do not cover shrimp species caught in the North Sea and Mediterranean Sea. Importers of these products can use up to 0.6% diluted benzoic acid, making it easier to preserve the frozen shrimp.

An industry source said the new regulation could result in Thailand losing markets worth five billion baht — the amount of frozen cooked shrimp Thailand exported to the EU last year — because importers would begin buying products from other countries, especially in Europe.

Ms Sumitra noted that Thailand mainly exports frozen cooked shrimp to the Netherlands, which currently allows up to 0.6-0.8% benzoic acid and Belgium, which allows up to 1%.

She said the higher percentages of benzoic acid did not harm consumers, a fact that has been scientifically proven by EU scientists. For that reason, the Thai government will send documents to the EU to support its case that the regulations are unwarranted in general and unfair to Thailand in particular.

In a related development, the Business Economics Department announced that EU amendments on product standards have hurt Thai fresh food and industrial product exports to the EU.

The department said many of the regulations could be considered non-tariff barriers to Thai Products.

Thailand: Investment Plan Ready for ASEM Meeting in Bangkok

BK2806122996 Bangkok BANGKOK POST
in English 28 Jun 96 p 21

[Report by Chatrudi Thepharat]

[FBIS Transcribed Text] Thailand will present the draft Asia-Europe Investment Action Plan to officials at an

ASEM [Asia-Europe Meeting] working group meeting on July 7-9 in Bangkok.

Thai officials were assigned the task of developing the action plan during last year's Asia-Europe Meeting in Bangkok.

The plan, developed by the Board of Investment and consultants, will focus on six areas of cooperation: investment policies, standards and certification, financial support, technology transfer and skills developments, investment promotion activities, and environmental issues.

The 25 ASEM countries will send a total of 100 representatives from investment agencies and the private sector to the July meeting, a prelude to the Asia-Europe Business Forum in Paris this October and the Asia-Europe Meeting in London in 1998.

They will discuss the action plan and work out the details on the six cooperation areas before a completed framework is developed and proposed at the Paris meeting.

—Investment policy. Delegates will discuss investment regulations and obstacles to intra-investment, as well as investment guarantees and possible double taxation agreements. A timeframe will be set out for ASEM countries to implement investment guarantees and double taxation rules.

—Standards and certification frameworks. ASEM countries should have the same industrial standards and must cooperate to upgrade the certification capabilities in ASEM.

—Financial support. Delegates will look at financial support for small- and medium-sized enterprises, liberalisation of financial markets and regulations, greater mobilisation of private funds for infrastructure development, and the development of a network of ASEM financial institutions to support SMEs [expansion unknown].

—Technology transfer and skills development. ASEM nations will discuss how to improve intellectual property standards, joint training on technology transfer, and how to better support the role of the private sector in training.

—Investment promotion. Officials want to establish better networks between private and public agencies.

—Environmental issues. Representatives want regulations to improve and better regulate environmental standards, more information exchange on environmental technologies, and more academic exchange programmes.

Thailand Backs Australian Bid for Asia-Europe Summit Seat

BK2906124696 Bangkok BANGKOK POST in English 29 Jun 96 p 6

[Report by Nutsara Sawatsawang]

[FBIS Transcribed Text] Thailand supports Australia's gaining a place at the summit of Asian and European leaders, Deputy Foreign Minister Charat Phuachuai said yesterday.

"Thailand has no problems supporting Australia joining in the Asia-Europe summit. But we will also seek the opinions of other countries on the matter," said Mr Charat, who met Australian Foreign Minister Alexander Downer in Canberra on Wednesday.

With Australia's strategic geographical position in the Asia-Pacific region and the country's developed technology it cannot be denied a seat from Asia at the summit, he added.

Mr Charat is currently on an official trip to promote trade and investment ties with Australia and New Zealand.

The leaders of 10 Asian and 15 European nations as well as the European Union met for the first time in Bangkok in March with the aim of strengthening cooperation between the two regions.

The inclusion of further participants will be decided when Asian and European leaders meet for the second time in London in 1998.

The Asian side comprises all the Association of South-east Asian Nations as well as China, South Korea and Japan.

Mr Downer reaffirmed that Australia still gives Asia priority as regards its foreign policy strategy, despite recent announcements.

If overseas visits are any indication of the direction of Australia's foreign policy, Mr Downer plans to visit Hong Kong, South Korea and Vietnam in the near future. He visited Thailand in April.

Thailand: Declining Exports Prolong Trade, Current Account Deficits

BK2806113996 Bangkok BUSINESS DAY in English 28 Jun 96 p 1

[Report by Brett Cole, staff writer]

[FBIS Transcribed Text] Falling textile, garment and footwear exports continue to exert pressure on the trade balance and the current account deficit, said Dr.

Bandit Nitchathawon, director of the economic research department at the Bank of Thailand (BOT).

"The benefit of a slowdown in imports has not translated into an improvement in the trade deficit... mostly because of a slow down in certain types of manufactured goods such as shoes and textiles," said Dr Bandit at the BOT's monthly press conference.

The trade deficit was an estimated 30 billion baht in May compared to a preliminary 39.5 billion baht in April.

The current account deficit in April was a preliminary 38.5 billion baht compared to 35.5 billion baht in March.

The textile, footwear and garment industries, which comprise around 15 percent of export earnings, have been falling this year in the face of strong price competition from China, Indonesia and Sri Lanka.

Dr Bandit said the BOT will announce next month revised 1996 targets for the current account deficit and trade balance as well as an overall assessment of the financial position at the end of the first half.

He perceives that inflationary pressures in the economy are moderating in line with a general economic slow down as reflected in the manufacturing production and private investment indices.

The manufacturing production index eased to an estimated 7.1 in May from a preliminary 7.6 in April.

The private investment index in May was an estimated 10.9 down from a preliminary 12.0 in April.

"To bring the current account deficit significantly down this year from 8.1 percent of GDP (Gross Domestic Product) last year there needs to be a miraculous recovery in export growth this year and import growth has to collapse," said Scott Christensen, the economist at Sandrine Fleming Thanakhom Securities.

"The replacement of low wage export earners with higher value added export earners is happening, but at a sluggish pace.

The fall in exports will keep the current account deficit up," he said.

Thailand: Chawalit Denies Military Behind Assassination Plot

BK2806145096 Bangkok Thai Color Television Channel 9 in Thai 12 GMT 28 Jun 96

[FBIS Translated Text] Defense Minister General Chawalit Yongchaiyut has reaffirmed that the military was not behind the assassination plot against the prime minister as reported, saying that the protection system for the latter is fairly effective and that there is nothing to worry about.

[Begin Chawalit recording] Security for the prime minister is well organized. The government agencies concerned, particularly from the armed forces, have been making efforts to protect every important figure in the country, not only the prime minister. We have done our best. So far, there is no problem. We pay keen attention to this matter. [end recording]

Thailand: New Cabinet Line-Up Ready for Royal Approval

BK0207055196 Bangkok BANGKOK POST in English 2 Jul 96 p 1

[Unattributed Report]

[FBIS Transcribed Text] Prime Minister Banhan Sinlapa-acha yesterday endorsed his fourth Cabinet reshuffle in a year which will be forwarded to His Majesty the King for approval today.

The reshuffle was not without its problems.

Mr Banhan apparently came under intense pressure from the Thoet Thai faction in his Chat Thai Party which had demanded that its two key members Newin Chitchop and Phairot Suwannachawi, both former ministers, be reinstated.

Despite all the difficulties, Mr Banhan, who refused to divulge the details of the changes, approved the list and sent it to Cabinet Secretary-General Wisanu Khruangarm, who expects the new line-up list to be announced tomorrow.

Sources at Government House said that in addition to the pressure from Thoet Thai, Mr Banhan had also faced pressure from the Wang Nam Yen faction of party secretary-general Sano Thianthong which wanted him to give Mr Sano the Interior portfolio.

But their attempts proved fruitless as Mr Banhan told them there would be a reshuffle in the Chat Thai quota after the passage of the 1997 budget bill and the censure debate expected next month.

The sources said the upcoming reshuffle will be confined to only five posts — three involving Prachakon Thai Party whose leader Sank Sunthorawet will return as deputy prime minister, secretary-general Yingphan Manasikan as science, technology and environment minister and deputy leader Chaiphak Siriwat as deputy transport and communications minister.

The two other posts will involve the Phalang Tham.

Bangkok MP Pracha Khunakasem, former permanent secretary for foreign affairs, will replace Charat Phuachuai as deputy foreign minister, while Mrs Phimpha Chanprasong will replace Phiraphong

Thanomphongphan as deputy transport and communications minister.

Although Mr Phiraphong told the press yesterday he resigned voluntarily and not under pressure, a source close to him said the resignation was the result of his conflict with Deputy Prime Minister Montri Phongphanit of the Social Action Party and Mr Banhan who disagreed with Mr Phiraphong's idea to revoke the contract with Hopewell whose projects face delay and are unlikely to be completed in time for the 1998 Asian Games in Bangkok.

Sources said Mr Pracha was "drafted" at the cost of Mr Charat, who was caught totally unawares as the party only decided to replace him on Saturday when he was on his way back from Australia.

Mr Pracha's cause was furthered by Mr Banhan, who wanted the Phalang Tham MP in the Cabinet since he already serves the Premier as an adviser on foreign affairs.

Mr Charat, a member of Phalang Tham's temple faction, had anticipated the axe coming down, and didn't show up at the foreign ministry yesterday.

He reportedly submitted his resignation to party leader Thaksin Chinnawat yesterday.

Thailand: Royal Announcement Issued on Cabinet Reshuffle

BK0407062496 Bangkok Radio Thailand Network in Thai 0530 GMT 4 Jul 96

[FBIS Translated Text] Announcement on the appointment of Cabinet ministers.

Royal Signature: Phumiphon Adunyadet, Rex

His Majesty the King Phumiphon Adunyadet has graciously commanded that it be announced that per his appointment of Banhan Sinlapa-acha as prime minister in accordance with the announcement dated 13 July 1995, the appointment of cabinet ministers to administer the affairs of the State in accordance with the announcements dated 18 July 1995 and the latest announcement dated 28 May 1996, the prime minister has informed him that, since several ministers have resigned, it is appropriate to appoint ministers to fill the vacancies for further administration of the affairs of the State. Empowered by Article 163 of the Constitution of the Kingdom of Thailand, the Fifth Amendment of 1995, His Majesty the King has therefore graciously appointed the following ministers:

1. Samak Sunthorawet as deputy prime minister,

2. Pracha Khunakasem as deputy foreign affairs minister,

3. Mrs Phimpfa Chanprasong as deputy communications minister,

4. Chaiphak Siriwat as deputy communications minister,

5. Yingphan Manasikan as minister of science, technology, and environment.

This announcement becomes effective immediately.

Announced on 3 July 1996, being the 51st year of the present reign.

Countersigned by Banhan Sinlapa-acha, prime minister.

Thailand: Printing Officer Issues Warning to NAEO NA Newspaper

BK2806135196 Bangkok NAEO NA in Thai 28 Jun 96 pp 1, 7

[Unattributed report]

[FBIS Translated Text] In his capacity as Bangkok's printing officer, Police Major General Phat Chaksurak, chief of the Special Branch Police Zone 2, sent a letter on 26 June, dated the same day, to the owner, publisher, and editor of the NAEO NA daily, in which he warned about the inappropriate language used in stories published in the daily on 24-25 June.

NAEO NA on 24 June carried the following passage on page 4: There are people writing to the paper calling on political parties to resign and to never make a comeback. They are very sick and tired of the Prachakon Thai, Muanchon Chat Thai, and Social Action Parties. None of these parties are acceptable. They are advised not to further undermine the country. These parties have never cared for anyone's feeling.

NAEO NA of 25 June says on page 4: Feedback on public opinion about seven son-of-a-bitch parties. We remember you.

The police warning says that it is not appropriate for the quality mass media to publish this type of content because it conflicts with law and order and constitutes a violation of Article 36 of the Printing Act of 1941. By virtue of the aforementioned article, the printing officer has issued a warning to the owner, publisher, and editor of the Thai-language NAEO NA daily so that they do not do it again.

Thailand: Paper Views Decision To Lower Bank Interest Rates

BK2806114196 Bangkok BANGKOK POST
in English 28 Jun 96 p 4

[Editorial: "Good Decision on Interest But Process Is Worrying"]

[FBIS Transcribed Text] The decision to end the Bank of Thailand's high interest rate policy is a good move. But the government is not off the hook yet, and some aspects of the process that led to the decision are disturbing.

First, the interest rates. There does seem to be a consensus among the country's economists that inflation is easing. And, as M.R. Pridiyathon Thewakun, spokesman of the so-called economic stability committee said after the decision was announced, last year's inflation did have some benefits. It was largely driven by higher agricultural prices, a rare boon for farmers.

Because inflation is slowing down, interest rates can decline somewhat. But that decline has to be small in order to avoid problems. Committee members told Prime Minister Banhan Sinlapa- arha, who chaired the committee, that the concerns of certain sectors over high interest rates should not override the overall well-being of consumers and businesses. In particular the more speculative portions of the real estate sector should not be bailed out by a policy that could worsen inflation.

Curbing inflation is still quite rightly one priority. When the committee looks at the deficit in the current account of the trade balance in goods and services — in two weeks time, the need for caution is likely to be re-emphasised. Many committee members still consider the deficit to be serious, and they will continue to argue that a sharp fall in interest rates will work against a cut in the current account deficit.

It remains to be seen whether market forces will continue to lower interest rates as the committee predicted. Some bankers think the committee's argument is credible.

But criticism is also directed against the large gap between interest rates on deposits and on loans. Deposit rates are now falling, and Dr Chalongphop Susangkan, an economist on the committee, says the rates on loans normally lags behind changes in deposit rates by three or four months.

That lag, and more importantly the size of the gap, are surely a measure of how far Thailand needs to go to increase competition in the banking sector. The central bank has handled liberalization cautiously, with some justification, but the penalty has been inefficiency and

some monopoly power both of which work against the interests of businesses and individuals.

Second, the process. One of the committee's purposes has been to end the contradictory signals that ministers and officials have been sending to the economy. It achieved that on Tuesday, but at a cost. The fact that the committee is needed in the first place shows just how poorly coordinated the government's thinking has been.

One economist said privately this week that almost every statement made by Finance Minister Bodi Chunnanon since his appointment less than a month ago showed a misunderstanding of macroeconomic issues. By contrast, the much-criticised Surakiat Sathianthai never made mistakes like that, the economist commented.

Mr Bodi called for economic growth to accelerate to 10 percent instead of the forecast 8 percent for this year — he should be seeking a cut to 7 percent because of continuing worries about inflation and the current account, the economist said. The minister was wrong to call for the central bank to cut interest rates, he went on. And his intention to cut corporate income tax could end up worsening the current account deficit because of the effect on the budget and savings — two factors linked to the deficit. In all of these issues, Mr Bodi is out of line with thinking in the Bank of Thailand, if not with central bank governor Wichit Suphinit himself.

The upshot is a weird picture. On the one hand, Tuesday's committee meeting served as a forum for professional economists and the Bank of Thailand to gag misguided statements from Mr Banhan and Mr Bodi on interest rates. On the other hand, the committee has become the ultimate arbiter on monetary policy. Even if its decision was in line with central bank thinking, the process further erodes the bank's independence. The one good point is that only a minority of the committee's membership are susceptible to unwise political pressure, but there is no guarantee that this situation will continue.

Someone among this reputable group of professionals ought to say that the committee should not be encroaching on the rightful territory of the Bank of Thailand at all.

Thailand: Foreign Minister on Economic, Security Issues

BK0107045796 Bangkok BANGKOK POST
in English 1 Jul 96 p 3

[Report on an interview with Amnuai Wirawan, Thai deputy prime minister and foreign minister, by Anurat

Maniphan and Peter Maitri Ungphakon "during a break in the Cabinet meeting in Bangkok last week"]

[FBIS Transcribed Text] Taking responsibility for foreign affairs and economics at the same time does have its uses.

Amnuai Wirawan might be tempted to argue that security risks justify spending heavily on arms.

"As foreign minister, my job is to evaluate the political risk that could take place," he says.

But "I could make more of a contribution as deputy prime minister for economic affairs, because I have to look after the budget".

In that capacity, he sees his role as one of prudence, keeping the brakes on defense spending in the interests of the economy as a whole. And he argues that this government is more cautious than its predecessors in screening requests for arms acquisitions.

Does this technocrat-turned-banker-turned-politician believe that economics should lead politics in foreign policy?

"It's not a question of whether economics leads politics or politics leads economics. It depends on which point, where and when. Of course, there is a trend for foreign relations to place increasing emphasis on economic issues. That doesn't mean that politics has no role.

"In fact, if the politics is not good, then there can be no economic cooperation. So politics could be a precondition."

Not that Mr Amnuai—former finance permanent secretary, former executive chairman of Bangkok Bank and now leader of the Nam Thai Party—over-emphasises political risks.

His foreign policy priorities are regional, with the stress on Thailand's immediate neighbours, and on peace and security. And there, right on Thailand's borders, problems do exist with Malaysia, Burma, Laos and Cambodia.

"It's normal that there are many unresolved issues. You could say that there are border issues with every one of them."

But he puts his faith in good relations at the highest political levels and governments' shared interest in maintaining peace and promoting economic cooperation.

The border disputes "are not going to be disruptive or lead to violent conflict, but they can have an effect on other sides of the relationship, political, social or economic".

In brief, his foreign policy view covers a new "code" for economic cooperation in ASEAN, reasoned handling of regional disputes leading to an optimistic prognosis for their settlement, a balanced and constructive policy for dealing with Burma, and the creation of a new agency—similar to the Board of Investment to act as secretariat to the committee coordinating international economic policy.

Common Cooperation Code [subhead]

The ASEAN cooperation code is one of the ideas he wants to promote. It follows on from what he sees as important progress in political and social issues, but particularly in economics. ASEAN's free trade area in goods is now well on the way to completion, and discussions have begun on opening up disservices market.

"Cooperation" is a subjective concept. We talk about cooperation, but what for? While we have a free trade area, the transport of goods across each country's border still lacks a mechanism to make this more convenient.

"We have a free trade area but we can't transport goods across borders. This isn't just a question of tariffs. There have to be other measures as well.

"What I would like to see one day is a common code of cooperation. We do have some of the features already. For example, we say that ASEAN encourages the movement of people, for example, not requiring visas. But even now some countries within ASEAN require visas. So we have to start talking, moving towards a Common Cooperation Code. Call it CCC if you like."

Would this ultimately lead to an ASEAN single market, with free movement of goods, services, capital and labour? Probably, not, in the short to medium term at least.

"A single market has to mean everything liberalized: agriculture processed, unprocessed or services. There are steps that have to be taken to reach that.

"We have to accept that there are still politically sensitive issues. That's why the question of unprocessed agricultural products is still unresolved. They are not products that can be brought into the free trade area by 2003. We cannot be sure that it will happen even by 2010."

Indonesia's decision to withdraw—either temporarily or permanently—unprocessed agricultural products such as rice, sugar, cloves and wheat flour from the ASEAN free trade area programme has become one of the most controversial economic issues in the group. The Philippines still has not agreed to bring rice into the programme at all.

Exactly how serious are the regional risks? What about the disputed islands in the South China Sea?

"I don't think that is a number one risk." The subject has been raised consistently in the ASEAN Regional Forum, the informal meetings held after ASEAN's annual foreign ministers meetings to discuss regional security issues.

And, Mr Amnuai continues, the countries involved in various aspects of the dispute — China, Taiwan, the Philippines, Vietnam, Malaysia and Brunei — have repeatedly given their assurance that they want the disputes settled peacefully.

"So I see no urgency to seek a speedy solution at any cost. Everyone is ready to negotiate."

What about the suggestions, heard in some Thai circles from time to time, that Malaysia is this country's number one risk?

"I don't want to make any rankings, especially ranking our neighbours. We don't see our neighbours as a risk, but we recognise that there might be risks."

"But the way I see it, the fact that they are together with us in ASEAN forms a structure, a shield that will prevent any individual country from taking any action without considering the benefits that will be gained from cooperation."

He adds that any frictions are only minor incidents. The discussions over the 20-year border problems show that the leaders, who meet regularly, do listen with reason to each other, he says.

"For officials, especially lawyers, we all know well. Government lawyers or private lawyers will always squabble about words. Political will has to be used to help solve the disputes."

There are just too many benefits from the many forums of cooperation for leaders to want to jeopardise these relations.

One of the disputes with Malaysia is over fishing. Mr Amnuai takes the view that the Malaysians have grounds for complaint.

"If anyone were to come into Chanthaburi and dig up our sapphires and rubies, there would be trouble."

At the same time, the Malaysians are prepared to work with the Thais in joint ventures with, Mr Amnuai says, the understandable condition that processing and added value takes place in Malaysia.

"If we don't have any fish in our waters, isn't this the next best thing? Many businessmen agree that it is reasonable and they have started joint ventures."

Nevertheless, Thailand is seen as a country participating in a Southeast Asian arms race. Mr Amnuai rejects the view that the spending is heavy. He cites figures issued recently by the International Monetary Fund that estimate the world is spending on average 2.3 percent of total gross domestic product on arms. Thailand's figure, he says, is around 2 percent, below the average.

During the Cold War, he adds, the global average was more like 3 percent, with the Soviet Union spending up to 8 percent of GDP and the United States spending about 5 percent. Considering the size of the two superpowers, that was an immense amount.

"So are we spending too much on arms? Of course, if you make that kind of comparison, it is not excessive. But these issues have to be handled cautiously. You can't just let anyone buy what they want without looking at the costs of benefits." Everything has costs and benefits.

The Government's arms spending is part of the policy of modernising the Armed Forces while keeping them "compact and efficient".

He adds: "Countries with healthy economies are also bound to be a prime target among the suppliers." He argues that this government is quite restrained.

"It's true that there are lots of requests to buy this and that, but it doesn't mean that the requests always end up with approval... This government is much more cautious compared with the past."

A Thai Trade Representative? [subhead]

One of the challenges that Mr Amnuai faces is to improve coordination between ministries in international economic affairs. His present position is unique because he now has charge of the Foreign Ministry as well as being deputy prime minister for economic affairs.

He was already chairman of the International Economic Policy Committee, which has responsibility for coordinating Thailand's strategy in such forums as the World Trade Organisation, ASEAN economic ministers' meetings and the Asia Pacific Economic Cooperation (APEC) group.

Some of the biggest coordination problems have been between the Foreign and Commerce ministries, but officials from other ministries involved such as Finance, Industry, and Transport and Communications, have not always worked too smoothly with their colleagues either.

Mr Amnuai plays down the conflict, saying that during his term as deputy prime minister at least, there has been little trouble. He hints that his way of handling the issues

might have something to do with the smoother relations between ministries, but some observers believe that the officials themselves may be working together better.

Successive government policies have been to set up a coordinating office for international economic policy. Mr Amnuai's predecessor as deputy prime minister, Suphachai Phanitchaphak, tried but failed. Mr Amnuai is confident this can happen, however, because his objective is to create a more ambitious office, similar to the Board of Investment.

Vietnam

SRV: Army Paper Article Reviews 'Progress' in U.S. Relations

BK0407144896 Hanoi VNA in English
1245 GMT 4 Jul 96

[FBIS Transcribed Text] Hanoi VNA July 4 — The daily army QUAN DOI NHAN DAN today runs an article reviewing the Vietnam-US relationship on the occasion of the United States' 220th Independence Day, July 4.

The article recalls the foundation 220 years ago of the United States of America and highlights its achievements, particularly in the field of economics.

The Vietnam-US relationship was established a long time ago with the precious sentiments and support of the progressive American people for the Vietnamese people's struggle for national independence and reunification, the article notes, adding that the Vietnamese will never forget the anti-Vietnam war demonstrations in the US as well as the contributions of the American people to the normalisation of relations between the two countries.

The article reviews the important progress made over the past year since the official normalisation of the Vietnam-US relations (July 12, 1995-July 12, 1996), including the exchange of high-ranking visits, and the opening of embassies in the two capitals, and especially the rapid expansion of bilateral commercial ties. At present 400 US companies are operating in Vietnam with more than 50 investment projects valued at USD 1.2 billion, ranking the US sixth among foreign investors in the country, the article reports. It also says that two-way trade is rapidly increasing with Vietnam's exports to the US reaching USD 200 million in 1995, a fourfold increase compared to 1994. Many US companies have called for the US Government to sign trade agreements and give Vietnam the most-favoured nation status to promote the two countries' economic and commercial relations.

The article mentions an important issue in the Vietnam-US relationship, the MIA question, which has seen effective cooperation from Vietnam. By June this year, Vietnam had handed over to the US authorities [word indistinct], the article says, emphasizing that Vietnam's active and serious cooperation and goodwill has been highly appreciated by the government and people of the United States.

It concludes by expressing hope for the further strengthening and promotion of the Vietnam-US friendly and cooperative relations in the interests of the two nations and of peace and development in the world.

SRV: Review Sees 'Positive Development' in Ties With U.S.

BK0407113796 Hanoi Voice of Vietnam in English
1000 GMT 4 Jul 96

[FBIS Transcribed Text] The Voice of Vietnam now reviews relations between Vietnam and the U.S., marking the 220th National Day of U.S.A., 4 July; and the first anniversary of the establishment of diplomatic relations between Vietnam and the U.S., 12 July.

Relations between the peoples of Vietnam and the U.S. did not begin when the two governments restored their normal relations. Progressive Americans have stood on the side of the Vietnamese people even in the just struggle against French colonialism and U.S. imperialism in the past. Pictures of President Ho Chi Minh with American friends at Viet Bac resistance base and pictures of Americans demonstrating against the U.S. aggression against Vietnam, especially a picture of a man called (Morrisson) who set himself on fire against the war, are still preserved in Vietnam's archives and remain fresh in the mind of the Vietnamese people.

Progressive Americans also made great contributions to the normalization of relations between the U.S. and Vietnam. Since then, within only one year, U.S.-Vietnamese bilateral relations have seen positive development.

The U.S. Chamber of Commerce opened in Hanoi in 1996. The two sides have since then exchanged senior delegations with a view to strengthening mutual understanding and promoting political, diplomatic, economic, and trade ties.

On 16 May 1996, President Bill Clinton signed an order ending the period considering Vietnam a battle zone, and on 21 May 1996, President Clinton appointed Mr. Peterson, legislator of the U.S. House of Representatives, the first ambassador to Vietnam. The decision is waiting for approval by the Senate External Relations Committee.

The U.S. ranks sixth among foreign investors in Vietnam with 50 projects valued at \$1.2 billion. Two-way trade turnover has developed rapidly. Vietnam's export value to the U.S. in 1995 stood at \$200 million, four times that of 1994.

On 20 March 1996, the Union for the Promotion of the U.S.- Vietnamese businesses, comprising over 100 major American companies, sent a letter to the U.S. President, urging the U.S. to sign a trade agreement with Vietnam and to offer most-favored nation status to Vietnam to facilitate economic and trade relations.

The most important question in bilateral relations between Vietnam and the U.S. is to solve humanitarian questions left behind by the war. Vietnam has always considered the MIA issue as humanitarian one and taken initiative to cooperate with the U.S. to battle the issue. By June 1996, Vietnam has handed over to the U.S. 682 sets of remains of American servicemen.

In a letter to the U.S. congress on 29 May 1996, President Clinton once again appreciated Vietnam's goodwill and serious attitude toward this issue.

Obviously, in the current global situation, friendship and cooperation between Vietnam and the U.S. not only serve the interests of the two peoples but global peace, security, and well-being.

Obviously, in the current global situation, the friendship and cooperation between Vietnam and the U.S. not only serve the interests of the two peoples but also peace, cooperation, and development in the region and the rest of the world.

SRV: Minister Attends ASEAN Energy Conference in Kuala Lumpur

BK0307100496 Hanoi VNA in English
0759 GMT 3 Jul 96

[FBIS Transcribed Text] Hanoi VNA July 3 — Vietnam attended the 14th conference of ASEAN energy ministers held on July 1 in Kuala Lumpur.

The Vietnamese delegation to the conference was headed by deputy Minister of Industry Mr. Nguyen Duc Phan.

The energy ministers passed a protocol on amendments to the ASEAN energy cooperation agreement with a view to creating favourable conditions for Vietnam and some other countries to later join the agreement. They also focussed their discussions on measures to further develop energy cooperation and the energy industry in ASEAN countries.

SRV: Do Muoi Holds Talks With PRC's Li Peng in Hanoi

BK2706160796 Hanoi Voice of Vietnam Network
in Vietnamese 1430 GMT 27 Jun 96

[FBIS Translated Text] At the invitation of the Communist Party of Vietnam [CPV] Central Committee, a delegation of the Communist Party of China [CPC], led by comrade Li Peng, member of the Political Bureau and prime minister of China, arrived in Hanoi on 27 June to attend the Eighth National Congress of the CPV.

On hand to welcome the Chinese delegation at the Hanoi airport were comrades Nguyen Manh Cam, member of the party Central Committee Political Bureau and foreign minister; Nguyen Cong Tan, member of the party Central Committee and minister of agriculture and rural development and chairman of the Vietnam-China Friendship Association; Pham Van Chuong, deputy head of the party Central Committee External Relations Department; and Dang Nghiem Hoanh, Vietnamese ambassador to China. Chinese Ambassador to Vietnam Li Jiazhong was also present at the welcoming ceremony.

At the Government Guest House, comrades Vo Van Kiet, member of the party Central Committee Political Bureau and prime minister; Hong Ha, secretary of the party Central Committee and head of the party Central Committee External Relations Department; and Vu Khoan, member of the party Central Committee and deputy foreign minister warmly welcomed the Chinese delegation.

Party General Secretary Do Muoi this afternoon cordially received comrade Li Peng. The CPV delegation, led by comrade Do Muoi, then held talks with the CPC delegation, led by comrade Li Peng.

Attending the talks on the Vietnamese side were Vo Van Kiet, member of the Political Bureau and prime minister; Nguyen Manh Cam, member of the Political Bureau and foreign minister; Hong Ha, secretary of the party Central Committee and head of the party External Relations Department, and many other comrades. On the Chinese side were comrades Hu Jintao, alternate political bureau member and secretary of the CPC Central Committee; (Ly Thuc Can), alternate member of the CPC Central Committee and head of the party External Relations Department, and many other comrades. Vietnamese Ambassador to China Dang Nghiem Hoanh and Chinese Ambassador to Vietnam Le Jiazhong were also present.

In the atmosphere of fraternal comradeship, the two sides exchanged views on relations between the two parties, states, and people, and a number of other issues of mutual concern.

Comrade Do Muoi sincerely thanked the CPC for sending a high-level delegation, led by comrade Li Peng to attend the CPV Eighth National Congress. This is considered encouragement for the Vietnamese party and people, and is an important event in the relations of the two parties and nations. Comrade Do Muoi expressed his delight at the relations between the two parties and nations. He said relations had been consolidated and had developed since the normalization of relations between the two countries conforming to the aspiration, interest, and the traditional friendship of the two peoples and the general development trend in the region and the world.

On behalf of the CPV Central Committee, comrade Do Muoi conveyed his kind regards to comrade Jiang Zemin, general secretary of the CPC and president of the People's Republic of China, other leaders of the CPC, and the Chinese people.

Comrade Li Peng, on behalf of the CPC, warmly welcomed the CPV Eighth National Congress. He stressed: The CPC and the Chinese people highly appraised the great achievements recorded in various domains by the Vietnamese people under the CPV leadership during the past 10 years of renovation. He expressed the belief that the CPV Eighth National Congress would effect new changes in the renovation undertaking to fulfill the objectives of a prosperous people, a powerful country, and an equitable and civilized society of Vietnam. He expressed elation on the fine development in the Sino-Vietnamese relations and expressed the belief that these relations will be further developed in the interest of the two peoples and cooperation in the region.

Comrade Li Peng conveyed the kind regards of comrade Jiang Zemin to comrade Do Muoi and other comrades of the Vietnamese party and state leaders.

This evening, comrade Do Muoi, on behalf of the CPV, hosted a banquet in honor of comrade Li Peng and the CPC delegation.

SRV: CPV Congratulates Communist Party of China on Founding Anniversary

BK0107135496 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 30 Jun 96

[FBIS Translated Text] The Communist Party of Vietnam (CPV) Central Committee today sent a message of greetings to the Communist Party of China (CPC) Central Committee. The message reads as follows:

Marking the CPC's 75th founding anniversary, on behalf of the CPC and the Vietnamese people, we would like to send our warm greetings to the CPC and the Chinese people. Over the past 75 years, under the

CPC's leadership, the Chinese people have scored great achievements in the struggle for national liberation, in the cause of socialist construction, and in the implementation of the open-door policy in recent years. We warmly congratulate you, comrades, on your achievements. It is our hope that the Chinese people, under the CPC's leadership, will successfully fulfill the ninth five-year plan and the goals set for the period to the year 2010. It is our hope that the cause of renovation and socialist construction in China will score even greater achievements.

We are delighted to note that the traditional relationship between the CPV and the CPC has reached new steps of development in recent years, thus making a positive contribution to furthering mutual understanding, friendship, and effective cooperation in various sectors between Vietnam and China for the interests of the people of each country and for the sake of peace, stability, and development.

We wish the friendship and cooperation between the two parties, countries, and peoples constant consolidation and development.

SRV: CPC Delegation Head Lauds Country's Renovation Process

BK0107092596 Hanoi VNA in English 0641 GMT 1 Jul 96

[FBIS Transcribed Text] Hanoi VNA July 1 — regular talks and exchange of visits between China and Vietnam have resulted in joint efforts to solve outstanding problems between the two countries.

Such an endeavour has helped the leadership of the two countries share a mutual concept in many ways so as to promote traditional bilateral ties, said Wen Jiabao acting head of a delegation of the Communist Party of China (CPC) to Vietnam's Eighth National Party Congress.

Wen Jiabao, who is alternate Political Bureau member and secretary of the CPC Central Committee, told the local media here yesterday that he was pleased to see such a development in relations between China and Vietnam.

'I believe that the relationship between our two parties and governments, based on the respect of each other's national independence and sovereignty, equality, non-interference into each other's internal affairs, and the five principles of peaceful co-existence, will increasingly develop.'

'The political report of the Communist Party of Vietnam (CPV) completely reflects the CPV's all-round renovation process that persists in following a socialist orientation and maintaining the leadership of the CPV, which

is completely in conformity with the entire Vietnamese people's fundamental aspiration,' Wen Jiabao said.

The Chinese delegate said that the change he had witnessed between 1994 and now was an impressive example of constructive change.

SRV: Communist Newspaper NHAN DAN Marks CPC Anniversary

*BK0107092296 Hanoi VNA in English
0644 GMT 1 Jul 96*

[FBIS Transcribed Text] Hanoi VNA July 1 — The Communist newspaper NHAN DAN today runs an article hailing the founding of the Communist Party of China (CPC) 75 years ago as a landmark in the history of the Chinese revolution, marking a decisive turning point in the struggle of the Chinese working class and people for national independence, democracy and socialism.

The article highlights the major achievements recorded by the Chinese people under the leadership of the CPC over the past 75 years.

'The Vietnamese communists and people are very joyful at the achievements the Communist Party and the people of China have gained over the past decades, and are delighted to see the new steps of development in the age-old relationship between the CPV and the CPC in recent years. These have helped increase the mutual understanding, friendly ties and effective cooperation in various areas between Vietnam and China for the interests of the people in each country, for peace, stability and development in the region and elsewhere in the world,' the article says.

SRV: Head of French Communist Delegation Comments on Relations

*BK0107092796 Hanoi VNA in English
0707 GMT 1 Jul 96*

[FBIS Transcribed Text] Hanoi VNA July 1 — Gisele Moreau, head delegate of the French Communist Party to the Eighth Party Congress, said: 'History has bound our two peoples in special bonds whose permanent symbol is the fact that your unforgettable president Ho Chi Minh participated in founding of our party at the Tours congress.

'We believe that it will allow you to reap new successes in developing your country and achieving progress for your people in an original renovation of the economy and politics which, as you said, is taking place along the line of socialism.

'We note with pleasure that our adherence to the general ideal of liberation is continuing and that you, like us, focus your attention on human development.'

Chhim Siekleng, head delegate of the National United Front for an Independent, Neutral Peaceful and Co-operative Cambodia (FUNCINPEC), noted: 'In the last decades the Communist Party of Vietnam has persistently heightened its noble sense of patriotism, overcome obstacles through different periods and achieved victories, bringing about firm unity and solidarity for the Vietnamese people and ensuring peace, freedom and comprehensive development for their country.

'The Cambodian and Vietnamese people and nations have an age-old fine friendship,' he said. 'The resounding success of the recent exchange of visits by the two countries' high-ranking delegations such as Vietnamese President Le Duc Anh's visit to the Kingdom of Cambodia and King Norodom Sihanouk's visit to the Socialist Republic of Vietnam confirm the two neighbouring countries' earnest aspirations of consolidating and developing sincere friendship and firm and close co-operation.'

'I take this occasion to formally reiterate the sincere wish of our FUNCINPEC party, founded by King Norodom Sihanouk, to preserve, consolidate, and develop this cooperation,' he added.

In his turn, Datuk Mohamad Rahmad, general secretary of the United Malays National Organisation (UMNO) said: 'My presence here today is the result of constant co-operation and mutual understanding between Hanoi and Kuala Lumpur in the framework of the Association of Southeast Asian Nations (ASEAN). Considerable development has been made in bilateral ties between our two countries and between UMNO and the Communist Party of Vietnam. And I completely agree that such development will be further promoted.

'The United Malays National Organisation or UMNO, the biggest member in the National Front which is now in power in Malaysia, is always ready to develop relations with all political parties in the world regardless of political conviction, purposes and government regimes. Moreover UMNO believes that we should promote positive co-operation with ruling parties in other countries like Vietnam.

'Our policy clearly justifies that the difference in political principles and purposes cannot become an obstacle to establishing closer political ties between our two parties. This co-operation constitutes a prerequisite for bilateral relations between Malaysia and Vietnam.

'I believe that the Communist Party of Vietnam has been destined to herald Vietnam to new heights regarding

their tasks set for the near future. Given its high level of political stability and incentives for economic development, Vietnam has sufficient criteria of an Asian Tiger.'

The head delegate of the Russian Communist Party, B.N. Gavrilovich said: 'We consider our participation in your congress as the continuation of the good relations between our two fraternal parties in which your third congress played a special role.'

'More than one third of a century has gone since,' he said 'during that period, good things have happened in the relationship between our two states, people and parties. Almost simultaneously our two countries embarked on renovation in all areas of social life. Vietnam in the past ten years under the leadership of the Communist Party have made many encouraging achievements. All this has been proved by growth in GDP, dynamism in the economy, success in social life and wise diplomacy.'

Sigenko Piot Schepanovich, head delegate of the Ukrainian Communist Party said: 'Our two parties and peoples have long been bound in the ties of international solidarity.... In all the stages of socialist transformation in Vietnam, we were always with you.'

'Your commitment to the ideals of socialist civilisation and your achievements in the on-going socio-economic development is an example that inspires us in the struggle for the restoration of socialism in Ukraine. History cannot be reversed by the temporary defeat of socialism in the former Soviet Union and the East European countries. This is testified to by the success of the remaining socialist countries, among them Vietnam, in economic and cultural development. This is also proved by the desire of the labouring people in the countries that formed the former Soviet Union to return to the path of socialist development, re-establish the soviet power of the people and revive the alliance of the fraternal peoples.'

SRV: Chea Sim Speech at CPV Eighth National Party Congress

BK0207112796 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 28 Jun 96

["Excerpt" of speech by Chea Sim, chairman of the Cambodian People's Party delivered at the CPV Eighth National Party Congress in Hanoi on 28 June — recorded in Cambodian fading into Vietnamese translation]

[FBIS Translated Text] First, on behalf of the Cambodian People's Party and on my own behalf, I would like to express elation and honor in having the chance

to attend the Eighth National Congress of the Communist Party of Vietnam. I wish the congress success [applause].

On this occasion, I would like to convey to the congress and the fraternal Vietnamese people — who are surging forward to build and develop the nation along socialist orientations with a bold spirit — the sentiment of solidarity and sincere friendship from King Norodom Sihanouk, Queen Monineat, and the Cambodian people.

Recent experiences show that with the existing spirit of traditional solidarity between the two nations and parties, we have firmly maintained a valuable friendship and cooperation under all circumstances.

The Cambodian People's Party pledges to do all it can to preserve and cultivate this relationship, and to make it increasingly firm and lasting in the lofty interests of both nations.

SRV: Army Paper Praises Success of Eighth Party Congress

BK0207100196 Hanoi Voice of Vietnam Network in Vietnamese 2330 GMT 1 Jul 96

[2 July QUAN DOI NHAN DAN Editorial: "Let's Praise the Success of the Eighth National Congress of Party Delegates"]

[FBIS Translated Text] The Eighth National Congress of the Communist Party of Vietnam [CPV] has ended in success after four days of work with a high sense of urgency, democracy, unity, and singlemindedness and with a high determination to carry on the renovation undertaking to serve the cause of national construction and defense and to guarantee happiness for the people.

Being aware of its heavy responsibilities toward the Fatherland and people in the new stage of national development, the Eighth Party Congress held heated but straightforward discussions and reached great unanimity of mind. The delegates passed important documents — a political report, the orientations and tasks of the 1996-2000 five-year socioeconomic development plan, an amended and revised party statute, and the congress resolution. The congress elected the Eighth Party Central Committee with highly qualified and competent individuals to shoulder the heavy responsibilities entrusted to them by the party and the people and to carry on the renovation process along the socialist path.

The great success of the Eighth Congress must be attributed to very meticulous, serious, and urgent preparations of the Seventh Party Central Committee and Political Bureau, to the draft documents and personnel organization to be presented to the Eighth Congress, and

to the wisdom of party congresses at all levels. It must also be attributed to the contributions of our entire people and army, as well as of our compatriots at home and abroad. Everyone has enthusiastically contributed many views on the draft congress documents. Furthermore, it must be attributed to a revolutionary movement to perform practical and efficient deeds, to a widespread and democratic political campaign for people from all walks of life to discuss national affairs, and to the encouragement of our friends all over the world.

The Eighth Party Congress is a congress of continued innovation along the socialist path. The congress resolution marks a new stage of development of the Vietnamese Revolution during which continued efforts are focused on two strategic tasks — national construction and defense — and primary importance is attached to industrialization and modernization in order to achieve the goals of making the people rich and the country powerful, of bringing about justice and civilization in society, and of guaranteeing steadfast advancement on the path toward socialism. These are the earnest aspirations of our people and the ultimate goals of our party. They reflect the will of both the party and the people.

The great success of the Eighth Congress consolidates the belief of our entire party, people, and army and creates a great strength for us to firmly enter the 21st century. Over the past days, with pride, belief, and hope, cadres and combatants of the People's Armed Forces countrywide have remained steadfast in their positions and have concentrated their attention on Hanoi capital, the heart of the nation where the party is holding its eighth congress. The great success of the Eighth Congress further consolidates the belief of cadres and combatants of the People's Army and People's Armed Forces and gives them added strength to carry out national defense and construction tasks.

In light of the Eighth Party Congress resolution and together with our entire party and people, the People's Armed Forces pledge the determination to unite closely around the Party Central Committee headed by Comrade General Secretary Do Muoi and to make quick efforts to firmly grasp and successfully translate the Party Congress resolution into reality, thus proving themselves worthy of being a loyal force and a reliable mainstay of the party, state, and people in implementing industrialization and modernization to secure the existence of the nation and guarantee the future and happiness of the people.

SRV: Import-Export Index Increases in First Half of Year

BK2706100096 Hanoi Voice of Vietnam Network
in Vietnamese 1100 GMT 26 Jun 96

[FBIS Translated Text] According to the estimates of the Ministry of Commerce, the import-export index countrywide reached about \$7.87 billion during the first six months of this year, of which the value of imports accounted for more than \$3 billion, or an increase of more than 16 percent compared with the same period last year. The value of key export products like crude oil, rice, coffee, rubber, marine products, textile products, and garments has continued to rise considerably.

The import index in the period increased by more than 29 percent compared with the same period last year. The value of goods and materials imported by foreign-invested enterprises increased sharply.

The domestic market has remained relatively stable in the first six months of this year. Unlike in the past several years, the first half of this year did not witness any unexpected increase in the prices of materials and goods like construction materials and consumer goods like cement, sugar, glass, and foodstuffs.

The Ministry of Commerce is striving to accelerate import-export activities; consolidate the state trading system and the home market, particularly the mountainous market; and step up market management for anti-smuggling purposes so as to satisfactorily fulfill the 1996 state plan.

SRV: Consortium Finds Oil Reserve Off Vung Tau

BK0207094496 Hanoi VNA in English
0654 GMT 2 Jul 96

[FBIS Transcribed Text] Hanoi VNA July 2 — Oil has been discovered in an oilfield in lot 15-2 in offshore Vung Tau. It will have a capacity of 45,000 barrels per day by mid-1998, according to the oil explorer, Japan Vietnam Petroleum Co. Ltd (JVPC).

Exploration work has been conducted at lot 15-2 since 1993 by the JVPC which is a partnership between Petro Vietnam and Japanese companies including Mitsubishi Oil, Mitsubishi Corp, Mitsubishi Petroleum Exploration, and the Japan National Oil Corp.

The JVPC will install between USD 225-675 million worth of oil drilling equipment at the lot which is also the site of a floating oil pocket.

Exploration is continuing at the remaining oilfields at the lot.

Australia

Australia: Burma Asked To Account for Death of European Consul

LD2806130296 Melbourne Radio Australia
in English 0700 GMT 28 Jun 96

[FBIS Transcribed Text] Australia has called on Burma to give an account of the death of Honorary European Consul, James Leo Nichols, and to release the finding of his autopsy, performed by Burmese authorities. Mr Nichols, who represented Denmark and other European countries in Burma, died in Rangoon's Insein Prison after being arrested in April and convicted for unauthorized use of telephones and fax machines.

Australia's foreign minister, Alexander Downer, says Mr Nichols' arrest was clearly for political reasons. He also claims the notoriously bad conditions of the jail, where Mr Nichols was held, may have contributed to his death. Mr Downer says Mr Nichols was a close supporter of the National League for Democracy leader, Aung San Suu Kyi, and his death focuses attention on the brutal practises of Burma's State Law and Order Restoration Council. Mr Downer called on the SLORC to release all detainees in prison for their political beliefs.

Australia: Thai Envoy Says Canberra Against Sanctions on Burma

BK2906125196 Bangkok BANGKOK POST
in English 29 Jun 96 p 6

[Report by Nutsara Sawatsawang from Canberra]

[FBIS Transcribed Text] Australia, despite its concerns over problems in Burma, will not interfere in ASEAN's decision on whether Burma should be admitted to the group within the next two years.

Australian Foreign Minister Alexander Downer made the comment to Deputy Foreign Minister Charat Phuachuai in their talks here on Wednesday.

It was the first time Canberra responded to reports that Burma is seeking to join Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam as a full member of the Association of Southeast Asian Nations by 1998.

Ambassador to Australia Laksanachanthon Laohaphan quoted Mr Downer as telling the deputy foreign minister that Canberra respected Thailand and ASEAN's policy of non-interference in Burma's internal affairs but adding that there would be no political and economic stability in that country without democracy and human rights improvement.

One of Australia's concern was that minority groups which had yet to reach a deal in peace talks with Rangoon could pose a threat to Burma's stability, he said.

Rangoon's clear indication that it wants to join ASEAN as a full member within two years comes amid international concerns over rising political tension in Burma after the military regime, known as the State Law and Order Restoration Council (SLORC), last month arrested 262 members of the National League for Democracy (NLD) led by Aung San Suu Kyi.

The United States has recently sent two envoys to ASEAN members and Japan to seek a common stance on how to handle Burma, while the European Parliament last week urged the European Union to isolate the country economically.

But Mr Downer said Australia would neither encourage nor discourage its people to do business in Burma.

"The Australian government is not in favour of economic sanctions against Burma. But if asked whether to encourage its people to invest in Burma, it prefers other countries in the sub-region like Laos, Cambodia and southern China," Mrs Laksanachanthon said.

Mr Charat also held separate talks with Australian Deputy Prime Minister and Trade Minister Tim Fischer and Parliament Secretary to the Foreign Ministry Andrew Thompson.

"The Australian government will not either encourage or discourage trade, investment and tourism regarding Australia and Burma, and in the next context I will not want to encourage joint activities between Australian and Thai companies in Burma," Mr Fisher told Thai reporters.

Asked what Canberra is reviewing in its policy on Burma, he said the issue was in a continuing process, with no formal dimension or timetable.

Mr Charat said he told the Australian ministers that Thailand, as a country sharing more than a thousand kilo metres of common border with Burma, "is to be tolerant to see positive changes in Burma. But good relations are based on economic growth that Thailand helps contribute and or the similarities of traditions and culture".

Mrs Laksanachanthon described Australia's new policy on Burma as "more understanding" toward ASEAN, although nothing has been changed from the previous government's line.

Burma will be an observer at next month's annual meeting of ASEAN foreign ministers and will join India

and 12 other countries in security talks at the ASEAN regional forum.

Mr Downer was quoted as saying Australia would not stand in the way regarding recognition of the Burmese military junta, but it fully supports India's joining the forum.

Mr Fischer, who met Mrs Suu Kvi during his visit to Rangoon last November, said he was very concerned over human rights and the NLD's situation, but also acknowledged that Burma's economy was expanding and opening up.

Australia: Downer Departs for South Korea To 'Broaden' Ties

BK3006085696 Melbourne Radio Australia in English 0600 GMT 30 Jun 96

[FBIS Transcribed Text] Australia's foreign minister, Alexander Downer, is due to arrive in Seoul shortly, for a three-day visit to South Korea at the invitation of his counterpart, Kong No-myong. Mr. Downer, who is on a four-nation Asian tour, is to hold talks with Mr. Kong, Defense Minister Yi Yang-ho, and Unification Minister Kwon O-ki. He will also pay a courtesy call on President Kim Yong-sam as well as visit the Demilitarized Zone dividing the two Koreas.

Before leaving Australia, Mr. Downer said he hoped to broaden the bases of Canberra's ties with South Korea, Australia's second largest export market.

New Zealand

New Zealand: UN Involvement in Papua-Solomons Dispute Welcomed

LD0307101796 Wellington Radio New Zealand International in English 0700 GMT 3 Jul 96

[FBIS Transcribed Text] New Zealand has welcomed the involvement of the United Nations secretary general in the cross-border dispute between Solomon Islands and Papua New Guinea. Foreign Minister Don McKinnon says the spillover effects of the Bougainville conflict can only be addressed through diplomacy and (?negotiation).

[Begin McKinnon recording] Well, I still take the view very firmly that this can only be resolved politically. It's not going to be resolved by someone looking down the barrel of a gun. I'm very glad (?of the fact) that the UN secretary general is prepared to (?dispatch his officers to look at this). He has done this before. It has brought about a degree of getting people to talk to each other again, and that is really the issue. [end recording]

New Zealand: Daily Views Solution to Bougainville Conflict

BK3006075596 Christchurch THE PRESS in English 28 Jun 96

[Editorial: "Bougainville Disaster" — received via Internet]

[FBIS Transcribed Text] The Papua New Guinea Government [PNG] has again chosen the military path to resolve the problems of Bougainville. It is improbable that the military action, optimistically code-named Operation High Speed, will quieten the island's demands for independence or end the rebellion of the Bougainville Revolutionary Army [BRA] — at high speed or otherwise. The main outcome will be more deaths and embittered relations. Further, this clash is particularly serious because the Solomon Islands is deeply involved.

The military operation engages 1400 Papua New Guinea troops, police, and support staff on Bougainville. Escape routes to the Solomons are been cut in order to box in and destroy the BRA, who are concentrated in the central and southern parts of the island. The BRA is estimated to number about 2000; the total population of Bougainville is about 200,000.

Bougainville is about 800 km [kilometers] from Port Moresby, the capital of Papua New Guinea and is ethnically and geographically closer to the Solomon Islands. The people of the Solomons have family links to the people of Bougainville, which makes it very hard for the Solomons Government to clamp down on the arms and medical supplies that pass through its territory to the BRA. The rebels also capture arms from the PNG Defence Force and get others from international sources, importing them largely through the Solomons. BRA leaders sometimes shelter in the Solomons, and this has promoted incursions by PNG soldiers into the Solomons in which civilians have been killed. The incursions are not officially sanctioned by the PNG Government but there is little doubt where the forces come from, though it might be difficult to pin down their precise status within the PNG Defence Force. The two countries have held unsuccessful talks to resolve the issues. PNG unconvincingly insists Bougainville is an internal issue, though in fact the involvement of the Solomons makes the problem regional.

Calls for secession from Papua New Guinea were heard from Bougainville 20 years ago. The Bougainville Copper Ltd mine has been a focus point for the dispute but it is inaccurate to think that this is a simple matter of colonialism, exploitation, or secession. The Bougainville rebellion is not a spontaneous majority movement nor has it received the backing of a democratically elected gov-

ernment. The Bougainvilleans are seriously divided on the issue. The BRA has at various times had considerable power but has shown itself unable to govern effectively and has behaved brutally. The PNG Defence Force has showed itself inept as a fighting force and similarly brutal. The leaders of both the BRA and the PNG military have proved incapable of controlling elements in their ranks.

No answer immediately presents itself. Both New Zealand and Australia would like to help and have, at various times, tried to do so. New Zealand provided three ships as a venue for negotiations about six years ago and last year Australia hosted talks. The agreement reached in the talks in which New Zealand was intimately involved lasted very briefly indeed. New Zealand wants to do more but unless the leaders of Bougainville and Papua New Guinea talk and show the will, nothing much can be done. The long-term solution is almost certainly that Bougainville should have more autonomy, but that would go against the trend in Papua New Guinea, which last year abolished provincial governments. At the moment the Papua New Guinea Government seems unwilling to seek any solution other than a military one — and the military action will make a solution all the harder to achieve.

Papua New Guinea

Papua New Guinea: Clash With Solomon Islands Reported; 6 Said Killed

BK0407052496 Hong Kong AFP in English
0449 GMT 4 Jul 96

[FBIS Transcribed Text] AUCKLAND, July 4 (AFP) — A clash has taken place in waters between the Solomon Islands and Papua New Guinea in an area near the troubled island of Bougainville, military sources said Thursday, and the PNG press reported six people had been killed.

The commander of the PNG Defence Force (PNGDF), Commander Jerry Singirok, was quoted by The National daily in Port Moresby, the PNG capital, that the incident took place on Tuesday.

Last month PNGDF launched a new offensive to try to end an eight-year-old civil war on the copper-rich island of Bougainville.

That island shares the border with the Solomons and in recent weeks PNGDF and a pro-PNG force known as Spear has crossed into the Solomons to engage the Bougainville Revolutionary Army (BRA) and its supporters.

Singirok said the incident involved a PNG military helicopter, which pursued a boat that entered PNG

waters from Ovau Island in the Solomons, but just several hundred metres (yards) from the border.

The boat opened fire on the helicopter, which returned fire, killing six of the eight people on board, Singirok said, confirming that the helicopter had crossed into Solomons airspace in its pursuit.

Solomon Islands National Reconnaissance and Surveillance Force commander, Michael Wheatley, told AFP in a telephone interview from Honiara Thursday that a Solomons' Police Field Force (PFF) units witnessed a clash in Solomons waters Tuesday.

He confirmed that it involved a helicopter and a boat, but was unable to give further details or any casualty toll.

"There was a helicopter flying around. We went to investigate and there was a bit of a firefight going on," Wheatley said.

He said initially they believed the helicopter was supplying the boat.

Two PFF outboard motor boats — known locally as rayboats — were despatched to the scene and Wheatley said there was gunfire underway.

"Our people were puzzled by what was going on because we believed it was a PNGDF boat and a PNG helicopter."

"Our boats pulled back because stray rounds were flying and we do not believe this kind of thing is worth dying for."

They returned when the helicopter had left.

Combat is taking place in a water world of uninhabited islands spread over the vast New George Sound, also known by its World War II name of "The Slot."

The area has the character of a vast amphitheatre and in daylight most movement across it can be seen from both sides of the border.

Last week Wheatley confirmed that PNGDF patrol boat 03 crossed into the Solomons and from a range of 250 metres (825 feet) used its 20 millimetre (0. 8 inch) cannon to fire on the PFF observation post at Tuluve Island, a short distance from the border.

A Solomons patrol boat and other PFF units moved into the area and the PNGDF broke off the engagement.

"There was no damage or major injuries during the incident except for one scratch on the left ear of one PFF patrolman," the statement said.

Wheatley described the incident as "a crazy act".

**Papua New Guinea: Relations With Solomons
'Soured' After 6 Rebels Killed**

*BK0407073296 Melbourne Radio Australia
in English 0600 GMT 4 Jul 96*

[FBIS Transcribed Text] Relations between Solomon Islands and Papua New Guinea (PNG) have been further soured following the killing of six suspected Bougainville rebels in Solomon Islands water. Brigadier General Jerry Singirok has defended his men involved in the incident last Tuesday [2 July]. The soldiers were traveling in an Australian-supplied helicopter. Sean Dorney reports that Australia cannot avoid getting tangled up in the border crisis.

[Begin recording] [Dorney] Foreign ministers of PNG and Solomon Islands are meeting today in Australia, but their Cairns meeting will be clouded by further accusations from Solomons that PNG is violating its territorial sovereignty and from PNG that the Solomons turns a blind eye to rebels getting supplies from across the border. The question of whether the PNGDF [PNG Defense Force] is flouting the non-punitive conditions that Australia placed upon the use of the Iroquois helicopters it donated to PNG in 1989 has also been reopened following Tuesday's incident in which PNG claimed its helicopter was fired at before strafing an open boat, killing six suspected rebels who'd fled back into Solomon's water. [end recording]

The Australian Government is seeking details of the incident as Michael Rowland reports:

[Begin Rowland recording] Defense Minister Ian McLachlan wants to clarify the details of the incident before making any comment. Under an agreement between the two governments, the helicopters are not meant to be used as gunships only for troop transportation and surveillance activity. They can, however, return fire if fired upon. [end recording]

**Papua New Guinea: Six Killed in Helicopter
Attack; Australia Comments**

*LD0407094796 Melbourne Radio Australia
in English 0800 GMT 4 Jul 96*

[Report from Port Moresby, Papua New Guinea by correspondent Sean Dorney, with announcer's introduction; portions enclosed within quotation marks recorded]

[FBIS Transcribed Text] The commander of the Papua New Guinea Defense Forces has defended his men, who claim to have shot dead six Bougainville rebels at sea in an open boat, firing at them from an Australian-donated Iroquois [helicopter]. Brigadier-General Jerry Singirok claimed to our correspondent Sean Dorney in Port Moresby that his men were fired at first and that

returning fire was allowed under the conditions [under which] Australia supplied the helicopters:

[Singirok] "Upon the helicopter arriving, the occupants of the banana boat fired about three shots, by three different people, fired into the helicopter and the troops, occupants on the helicopter, fired back."

[Dorney] The boat turned back into Solomon Islands waters, where the PNG soldiers, firing from the doors, sprayed it with fire.

[Singirok] "Approximately six people were killed and the speedboat was disabled."

Gen Singirok claims the gunship has mounted guns, controlled from the cockpit.

[Singirok] "The issue is that the helicopters are not be used as gunships, that is the condition. I will argue here that they were never used in the role of gunships."

Australia's foreign affairs minister, Alexander Downer, says department officials are investigating how the Australian-supplied helicopter was used. Speaking in Hong Kong, Mr. Downer described the incident as serious:

[Downer] "I think this is a serious incident. It is one I want more information on. The Australian Government will be investigating the circumstances of the incident. There is no doubt that Australian-supplied helicopters are not to be used for military purposes, but in this case we would need to have more information on it and I would have to have more information on it before I could say anything much more."

The Solomons has accused PNG [Papua New Guinea] of regular border violations, including further crossings by an Australian-supplied patrol boat earlier this week.

Western Samoa

**Western Samoa: Premier Recovering From Liver
Surgery in Australia**

*LD2706134196 Melbourne Radio Australia
in English 1900 GMT 26 Jun 96*

[FBIS Transcribed Text] The Western Samoan prime minister, Tofilau Eti Alesana, is reported to be recovering well after liver surgery in Australia. State-owned Radio 2AP says the prime minister was discharged from Princess Alexandra Hospital in Brisbane on Sunday [23 June] and is scheduled to return to the hospital for a check-up on Thursday. It says no date has been set for the prime minister's return home.

The 72-year-old prime minister, who led his Human Rights Protection Party to its fourth election victory earlier this year, has regular check-ups and treatment for a heart condition.

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